



# House of Commons

## International Development Committee

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# Private Foundations

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## Thirteenth Report of Session 2010–12

*Volume I: Report, together with formal  
minutes, oral and written evidence*

*Additional written evidence is contained in  
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## The International Development Committee

The International Development Committee is appointed by the House of Commons to examine the expenditure, administration, and policy of the Office of the Secretary of State for International Development.

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The Reports of the Committee, the formal minutes relating to that report, oral evidence taken and some or all written evidence are available in a printed volume.

Additional written evidence may be published on the internet only.

### Committee staff

The current staff of the Committee are David Harrison (Clerk), Marek Kubala (Second Clerk), Anna Dickson (Committee Specialist), Chlöe Challender (Committee Specialist), Anita Fuki (Senior Committee Assistant), Vanessa Hallinan (Committee Assistant), Paul Hampson (Committee Support Assistant) and Nicholas Davies (Media Officer).

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## Summary

Private foundations—philanthropic bodies making private contributions for charitable purposes—are of increasing importance to development. Foundations, especially the well-endowed US-based organisations such as that funded by Bill and Melinda Gates, are spending large sums, although precise amounts are currently difficult to determine. It is clear, however, that the total sums are far smaller than those spent by Governments.

Foundations' contribution to development goes far beyond mere expenditure. They have the capability to innovate and take risks, although in practice not all do so. They are having increasing influence on international development policy.

Their work is widely welcomed. However, some concerns exist, namely that foundations can create new, parallel structures alongside government initiatives and that they are only accountable to small boards. Foundations should be brought into global structures for donor coordination and should sign up to International Aid Transparency Initiative guidelines.

Foundations currently spend most of their money in the health sector. Where appropriate, the UK's Department for International Development (DFID) should encourage them to become more involved in education. DFID's collaboration with the Nike Foundation on the Girl Hub is worthwhile. The Hub should be replicated in other countries, notably the Democratic Republic of Congo.

There is concern that in working with foundations on large programmes, such as the Global Alliance for Vaccines and Immunisation, DFID's own spending priorities may be distorted and that DFID's spending may be switched from other sectors to health. We do not believe that this has happened to date. It is important that it does not in the future.

Inevitably, DFID engages more with large foundations than with small. Small foundations can play a useful role, for example in working with the private sector in developing countries. DFID could make use of such organisations and channel more funds through them. We appreciate that DFID is a lean organisation and that Ministers' and staff time is precious. Nevertheless, improvements could be made that need not necessarily involve substantial time. We recommend that a DFID Minister hold an annual meeting with smaller foundations, that a designated contact official for foundations be established to hold more frequent meetings (biannually or even quarterly) and that DFID produce a simple publication indicating what DFID funding foundations might apply for and how to apply.



# 1 Introduction

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## Private foundations

1. The way that international development and poverty reduction is funded is changing. Government and multilateral funders such as the United Nations are being joined by philanthropic private funders of aid and development. Philanthropy, defined as ‘private funding in the public interest’, can refer to either donations made by individuals or to giving made by private foundations or trusts.<sup>1</sup>

2. Foundations are highly diverse, ranging from a few, very large-scale and specialist funders often focusing on the Millennium Development Goals (for example, the US-based Bill and Melinda Gates Foundation, and the UK-based Children’s Investment Fund Foundation), to small foundations for which international development is one focus of many, and which are often more detached from the policy arena.<sup>2</sup> In the UK the sector is characterised by a higher degree of diversity in size and type of foundations compared to the US.<sup>3</sup>

3. It is clear that there is a huge amount of funding being spent through foundations, but there are difficulties involved in calculating the total annual value of current spending. During our inquiry we came across a range of estimates. For example, the OECD Development Assistance Committee (DAC) reports a global total of \$22.2 billion in private grant spending in 2009 (representing over a 100% increase since 2000). However, reporting to the DAC is voluntary and therefore this is likely to be an underestimate. Nor does it include corporate private giving—unlike, for example, the US-based Hudson Institute, which puts 2009 philanthropic giving at \$52.5 billion, nearly double the OECD estimate.<sup>4</sup>

4. Whatever the exact total, it is clear that development funding by foundations is still some way lower than Official Development Assistance (ODA, funding paid by government donors), which was \$120 billion in the same year (2009).<sup>5</sup> Graph 1 shows grants made by private voluntary agencies within DAC member countries for international development in comparison to total ODA.<sup>6</sup>

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1 Michael Edwards, ‘The role and limitations of philanthropy’ (commissioned paper for The Bellagio Initiative, November 2011, online at [www.bellagioinitiative.org](http://www.bellagioinitiative.org)), p.3

2 Ev w3

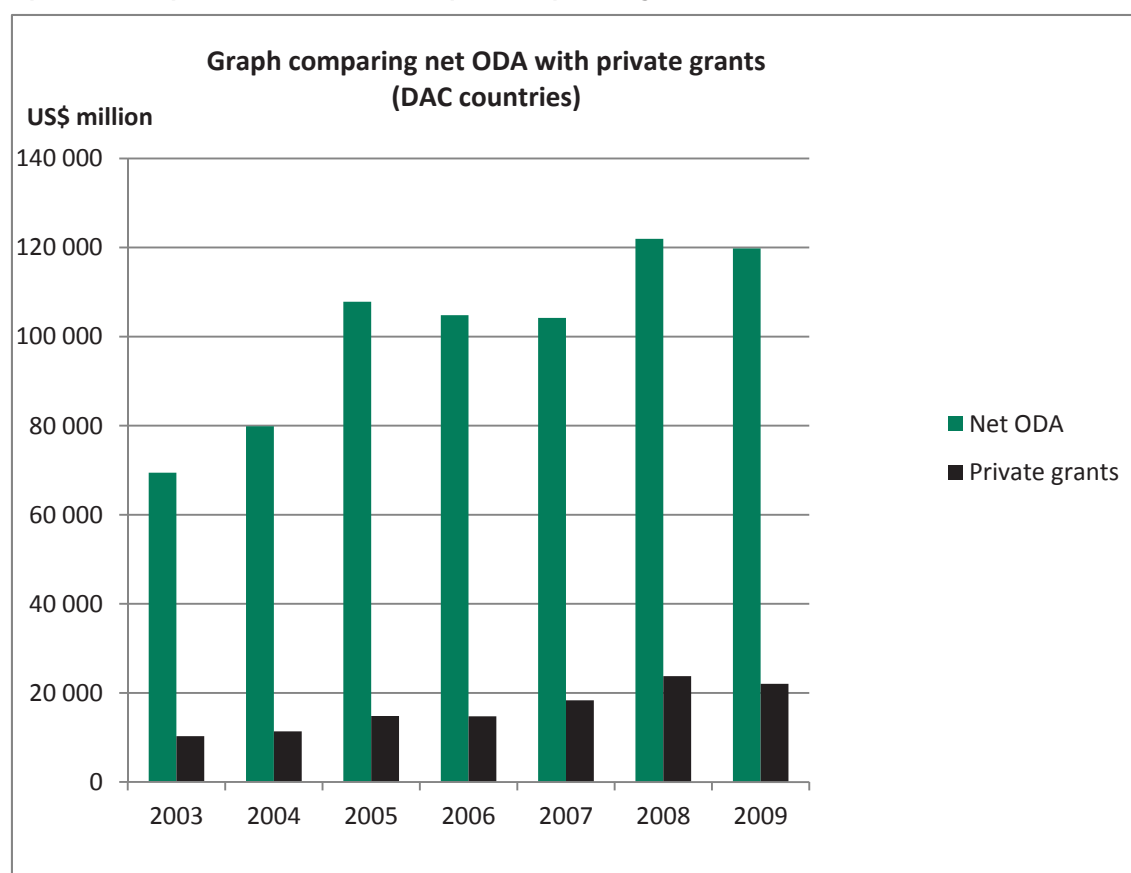
3 Ev 44

4 Ev w14-15. The Index of Global Philanthropy by the Hudson Institute includes giving by foundations, voluntary and religious organisations, corporations and corporate foundations in terms of in-kind and cash donations. The institute also accounts for private sponsorships and scholarships that support students from developing countries studying in the US and estimates the monetary value of volunteer time for developing causes (Ev 70).

5 Ev 35

6 ‘Private grants’ is used to refer to what the OECD terms ‘grants made by private voluntary agencies’.

Graph 1: Development aid: net ODA compared to private grants (DAC countries)



Source: OECD, 'Development aid: Grants by private voluntary agencies – Net disbursements at current prices and exchange rates', online at: [http://www.oecd.org/document/39/0,3746,en\\_2649\\_201185\\_46462759\\_1\\_1\\_1\\_1,00.html](http://www.oecd.org/document/39/0,3746,en_2649_201185_46462759_1_1_1_1,00.html)

5. Foundation funding is dominated by a few large players, notably the Bill and Melinda Gates Foundation. In 2009, the Bill & Melinda Gates Foundation spent US\$3 billion in grants and charitable expenses.<sup>7</sup> This represents 19% of total US grants by private voluntary agencies and 14% of total DAC grants by private voluntary agencies.<sup>8</sup> The Gates Foundation has assets of \$33.9 billion, followed by smaller but still significant US funders such as the Ford and Rockefeller Foundations (assets of \$10.9 billion and \$3.3 billion, respectively—although only a proportion of this funding goes towards international development ).<sup>9</sup> UK-based foundations are smaller still, with the exception of the Children's Investment Fund Foundation, which has assets of £1.7 billion,<sup>10</sup> and The Wellcome Trust, which gives a significant proportion of its charitable expenditure to support research in low and middle-income countries (£71 million in 2009–10).<sup>11</sup> Comic Relief is different from most UK-based foundations in that it is not an endowed foundation and fundraises for the majority of its income. Since 1985 it has made grants totalling £360

7 Gates Foundation Annual Report, 2010, Consolidated Statement of Activities

8 OECD, 'Development aid: Grants by private voluntary agencies – Net disbursements at current prices and exchange rates', online at: [http://www.oecd.org/document/39/0,3746,en\\_2649\\_201185\\_46462759\\_1\\_1\\_1\\_1,00.html](http://www.oecd.org/document/39/0,3746,en_2649_201185_46462759_1_1_1_1,00.html)

9 Foundation Center, 2011 (<http://foundationcenter.org>)

10 Ev 41

11 Ev w41



million internationally.<sup>12</sup> Recent research puts the annual value of current spending by UK-based charitable grant-making trusts and foundations on international development at around £290 million.<sup>13</sup> Around £48 million of this amount is based on an estimate of the smaller trusts not included in the research, and those on which there is little published information.<sup>14</sup> We therefore believe that the extent of private giving to international development in the UK may be underestimated.

6. Developing countries are also witnessing the rise of foundations and philanthropists, as is evidenced by the formation of philanthropic trade associations such as the Africa Grantmakers Network. Mo Ibrahim, whose Celtel business helped propel the mobile phone revolution across Africa, is emerging as a lead philanthropist on that continent.<sup>15</sup> However, as the World Bank told us, most developing country-based foundations are small. Middle-income countries, such as India and China, have increasing numbers of philanthropists amongst their wealthy classes, but, according to the World Bank, “most have not yet established their own foundation and do not have a track record that is comparable to decades of experience of US foundations”.<sup>16</sup>

## Our inquiry

7. We began an inquiry into the work of private foundations in July 2011. We decided to focus on foundations specifically, rather than wider philanthropic flows (e.g. corporate giving).<sup>17</sup> Key issues that we wanted to explore included: the role of foundations in development; their relations with DFID and multilateral organisations, including the effectiveness of co-ordination and the avoidance of duplication; and their accountability. We also wished briefly to examine the role and influence of high profile advocates on international development, whether philanthropists such as Bill Gates and George Soros, or celebrities including pop singers and actors. We received 21 pieces of written evidence, chiefly from foundations themselves but also from non-governmental organisations and research bodies. We held two evidence sessions in October and November 2011 with: four private foundations, including the Gates Foundation; commentators on private foundations; and the DFID Minister and officials. We would like to thank all those who took the time to engage with the inquiry.

## The structure of this report

8. This report presents the findings of our inquiry. Chapter Two will assess the strengths of foundations and their unique contribution to development as opposed to ‘traditional’ donors such as the UK’s Department for International Development (DFID). Chapter Three will explore the limiting factors in foundations’ work, and explore commonly-made criticisms of their work. Chapter Four will look at the implications of foundations’ growing

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12 Ev w12

13 Ev w4

14 Ev w5

15 Ev w24

16 Ev w46

17 We are aware that ‘private foundations’ is a US, rather than UK, concept that excludes fund-raising charities (e.g. Oxfam and Save the Children) and non-charitable private philanthropy (such as the Google Foundation) (ev w42 and Q 2). We use it in this report to include foundations operating worldwide on international development.

contribution to development for DFID, including how the Department manages its relationships with foundations.

## 2 The contribution of foundations to development

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9. Philanthropy has a number of characteristics that enable it to ‘add value’ to global development efforts in ways that more traditional donors cannot (or choose not to). Foundations are currently providing a welcome injection of much-needed funding and skills at a time when national aid budgets are under pressure. But their advantages go well beyond the mere sum of their assets.

### Innovation and risk-taking

10. Because they are using private funding, foundations can take risks that national donors cannot. As one witness told us, foundations “can be more flexible, test new approaches and take a longer term view than agencies or departments funded by tax payers [...] they are much less influenced by political cycles.”<sup>18</sup> However, this is not always the case. The Chair of our Committee participated in a conference during November 2011 organised as part of the Bellagio Initiative, a series of global consultations held during 2011 exploring trends and opportunities in philanthropy and development, which is led by the Institute of Development Studies (IDS), the Resource Alliance and the Rockefeller Foundation.<sup>19</sup> Participants at the Bellagio conference expressed frustration about the lack of innovation amongst some foundations. It was asserted that foundations want to appear in the best possible light and therefore are put off from taking certain risks. Experts from the Institute of Development Studies said

The philanthropic sector needs to better balance risk with opportunities. It needs to view risk at the strategy, rather than individual project level, and create cultures where failure is accepted and seen as a source of learning. [...] [Philanthropists need] to better understand their own risk tolerance and to construct portfolios of grants and projects that reflect a mix of risk rather than those that gravitate toward the lowest level of risk for all projects.<sup>20</sup>

11. Official donors are generally good at innovation but there are examples of foundations pursuing a more inventive and ground-breaking approach than official donors. The UK-based Children’s Investment Fund Foundation told us that it targets those communities most in need in Africa and Asia “regardless of most political considerations”, giving the example of its \$50 million 5-year programme to prevent mother-to-child transmission of HIV/AIDS in Zimbabwe.<sup>21</sup> CIFF’s financing is for a Government of Zimbabwe national

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18 Ev w41

19 The Summit was held at the Rockefeller Foundation Bellagio Center in Italy on 8-22 November 2011. Participants included international development practitioners, commentators, social entrepreneurs, donors and philanthropic organisations. The Summit’s aim was to bring together thinking about the role of philanthropy in international development, and formulate “a new framework for philanthropy and development for a changing world”.

20 Ev 69

21 Ev 42

programme. In comparison, DFID currently has a policy position of not channelling any of its funding to the country through the Government of Zimbabwe.<sup>22</sup>

12. Another example of foundations' riskier political approach is the Mo Ibrahim Foundation's annual Ibrahim Prize for Achievement in African Leadership. The Foundation can award the prize each year (worth \$5 million over 10 years and \$200,000 annually for life thereafter) to a democratically elected former African Head of State or Government who has served their term in office within the limits set by the country's constitution, has left office in the last three years, and has demonstrated excellence in office.<sup>23</sup> David McNair of Christian Aid told us

Foundations [...] do quite risky things. [The Ibrahim prize] is a really innovative approach to rewarding best practice and encouraging African leaders to manage their countries in a way that benefits the people. In addition, they engage at a country level to help civil society hold Governments to account. That pincer movement of both rewarding the leaders and helping civil society to hold Governments to account is really important and political.<sup>24</sup>

13. Secondly, foundations can take risks with their choices of what to fund. They can choose focused interventions, often accompanied by substantial financial resources, which can often produce quick results. In part this advantage stems from the fact that foundations often have more staff per pound spent than official donors, and hence can make upfront investments and pilot 'expertise-heavy' ideas.<sup>25</sup> For example, the Rockefeller Foundation provided support to the 'Green Revolution' in Asia in the 1940s–1970s which, through technology transfer—especially the development of high-yield crops, irrigation, fertilisers and pesticides—increased agriculture production significantly in the region. The Gates Foundation is working in partnership with the Rockefeller Foundation to attempt to emulate these successes through the Alliance for a Green Revolution in Africa, launched in 2006.

14. Foundations can also take financial risks, for example investing in projects with a higher risk of failure or with results that are still at test stage. Bill Gates has a strong commitment to innovation and risk. In his 2010 Annual Letter, he stated

Melinda and I see our foundation's key role as investing in innovations that would not otherwise be funded [...] Our framework involves funding a range of ideas with different levels of risk that they could fail. The ones with low risk are where the innovation has been proven at a small scale and the challenge is to scale up the delivery. High-risk innovations require the invention of new tools. Some are at the frontiers of science, such as finding a new drug and running a large trial to see how

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22 DFID's £80 million 2011–12 Zimbabwe programme is seen as a 'pre-election programme' which, whilst still not channelled through the Government of Zimbabwe, will "complement support with technical advice to the reformers in Government in preparation for transition to a more stable government" following elections (DFID Zimbabwe, Operational Plan 2011–2015)

23 In 2007, the prize was awarded to Joaquim Chissano of Mozambique; in 2008 to Festus Mogae of Botswana; and in 2011 to Pedro Pires of Cape Verde. No award was given in 2009 or 2010.

24 Q 8

25 Ev w25

well it works. Other high-risk efforts involve changing social practices, such as persuading men at risk of getting HIV to get circumcised.<sup>26</sup>

15. A powerful example of this risk-taking is the support given by the Gates Foundation to vaccines to combat infectious diseases. Gates has contributed \$1.75 billion to a new malaria vaccine announced in October 2011 by its developer, GlaxoSmithKline. Initial trials show that the vaccine may be able to cut the risk of malaria in young children by approximately half.<sup>27</sup> As Jeff Raikes, Chief Executive Officer of the Foundation, told us, Gates effectively identified a market failure and ‘filled the gap’:

GSK did not really see a real market opportunity for a malaria vaccine, because it largely affects poor populations that cannot afford it. But with our stepping in and helping to underwrite the R and D, we now have not just the first phase 3 malaria vaccine candidate but the first phase 3 vaccine candidate trial results.<sup>28</sup>

16. Whilst the vaccine’s efficacy across different groups still needs to be proven—trials will continue until 2014—the Gates Foundation has clearly contributed to a landmark in malaria research. This follows other major contributions to the fight against malaria, which are likely to have contributed to a 20% reduction in malaria deaths over the last decade.<sup>29</sup> These include the Foundation’s role in developing the Roll Back Malaria Partnership’s Global Malaria Action Plan, which aims to reduce global malaria deaths to near zero by the end of 2015.<sup>30</sup> The Foundation’s commitment to eradicating malaria is also borne out through its support to the Global Alliance for Vaccines and Immunisation (GAVI). Gates provided \$750 million in 1999 to launch GAVI, a public-private global health partnership committed to increasing access to immunisation in poor countries.<sup>31</sup> In June 2011, donors pledged a further \$4.3 billion bringing the amount committed for 2011–15 to \$7.6 billion. Of this, the UK Government and Gates were the largest donors with amounts of \$2.45 billion and \$1.34 billion respectively.<sup>32</sup> The major pledges to GAVI were for new vaccines, such as rotavirus and pneumococcal infection, rather than the traditional ‘expanded programme of immunization’ (such as TB, diphtheria, whooping cough, tetanus, polio, and measles).

**17. Foundations can take political, ‘focus’ (in terms of project choice) and financial risks that official donors cannot. The world’s largest foundation, created by Bill and Melinda Gates, has shown that risk-taking and innovation can produce outstanding results. The Foundation has made significant contributions to reducing the burden of**

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26 Ev 35

27 ‘Gates hails milestone in mission to beat malaria’, *The Independent*, 19 October 2011

28 Q 78

29 Q 78

30 Ev 57

31 Partners include developing country and donor governments, the World Health Organisation, Unicef, the World Bank, the vaccine industry and private philanthropists such as Gates.

32 These figures are taken from the ‘Resources Now Assured for 2011-2015’ column in the ‘GAVI Alliance pledging conference – Key Outcomes’ table, online at <http://www.gavialliance.org/funding/donor-contributions-pledges/>. The UK Government’s donation is the second of two large commitments to GAVI: it had existing provisions of £959 million at March 2011, although it is unclear whether some of this sum is included within the £1.5 billion figure for 2011-2015. Source: National Audit Office, Briefing to support the International Development Committee’s inquiry into the Department for International Development’s Annual Report and Accounts 2010-11 and Business Plan 2011-15 (October 2011), p.10. Online at [http://www.nao.org.uk/publications/1012/dfid\\_annual\\_report.aspx?lang=en-gb](http://www.nao.org.uk/publications/1012/dfid_annual_report.aspx?lang=en-gb)

**malaria in developing countries. Thanks partly to funding from Gates, it is hoped a malaria vaccine will come to market in less than five years' time. New vaccines for rotavirus and pneumococcal infection, to be funded through the latest replenishment of the Global Alliance for Vaccines and Immunisation (GAVI, which receives around 18% of its income from foundations),<sup>33</sup> hold the promise of reducing millions of child deaths from diarrhoea and pneumonia.**

## Contributing to policy development

18. As well as making growing contributions to international aid flows, foundations are having increasing influence on international development policy. This was demonstrated by the G20's invitation to Bill Gates to present his vision on how to finance global poverty reduction to the Summit in Cannes, France, held from 3 to 5 November 2011. Gates' report to the Summit focused on innovation. It also made a strong challenge to donors to adhere to their aid pledges and recommended a number of ways to achieve this, notably through tax proposals that could raise extra funds to meet aid targets.<sup>34</sup>

19. Yet there are risks associated with foundations' involvement in policy. Christian Aid said that their involvement must be "accompanied by accountability and transparency with regard to [...] funding and the ways in which foundations are steering policy."<sup>35</sup> The Children's Investment Fund Foundation highlighted the importance of bringing foundations within global policy initiatives:

Because foundations have the power to advocate for priorities of their own choosing there is a risk that they can skew the priorities of other donors, and, importantly, recipient governments and multilateral institutions. For example, some faith-based Foundations may focus their education and health programmes on solutions which may align closely with religious beliefs. The development community, including DFID, have been very helpful in promoting and disseminating initiatives such as the Copenhagen Consensus and the Millennium Development Goals in order to capture the expertise of many of the leaders in the development field and to try to align the priorities of all actors, including Foundations, around the most pressing issues and the most effective solutions.<sup>36</sup>

20. Perhaps the most important opportunity to involve foundations in global development efforts is the Paris Agenda on Aid Effectiveness. In 2005, almost all major donors signed the Paris Declaration, aimed at improving aid effectiveness through improved co-ordination, harmonisation and efficiency. Interviews carried out with traditional donors have shown that they are worried about the impact of foundations' work on implementation of the Paris Agenda. For example, one of the Agenda's key objectives has been to reduce the burden on recipient countries of dealing with multiple individual

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33 'GAVI Alliance pledging conference – Key outcomes' table, online at: <http://www.gavialliance.org/funding/donor-contributions-pledges/>

34 Proposals included: a financial transaction tax; a tobacco tax; and a G20 infrastructure fund ('Innovation with Impact: Financing 21<sup>st</sup> Century Development: a report by Bill Gates to G20 leaders', Cannes Summit, November 2011)

35 Ev 45

36 Ev 43

donors, and an array of funding cycles and processes—yet foundations serve as yet another agency with which countries must engage.<sup>37</sup>

21. Even large organisations, such as the Gates Foundation, were not invited to sign the Paris accords in 2005, although the Foundation told us they “participated in the dialogue” and “focus on and believe in some of the principles.”<sup>38</sup> On 29 November to 1 December 2011, the Fourth High Level Forum on Aid Effectiveness was held in Busan, Korea, to monitor the implementation of the Paris agenda.<sup>39</sup> Greater efforts were made at Busan to ensure that foundations participated in the Forum’s decision-making, and the Outcome Document pledged to “take action to facilitate, leverage and strengthen the impact of diverse sources of finance to support sustainable and inclusive development”, including philanthropy (although not foundations specifically).<sup>40</sup> Commentators at Busan argued that a new aid architecture is required to accommodate the full range of development actors rather than just official donors. As Robert Picciotto of King’s College, London, said, “the development scene has changed radically and neither the aid architecture nor the goals, principles and practices that govern development co-operation have kept up”.<sup>41</sup>

22. On the other hand, Dr Noshua Watson of the Institute for Development Studies cautioned that there were risks as well as advantages to including foundations as signatories. She said, “When you have an agreement to which not only donors can agree but foundations as well, you risk watering down the principles behind it”.<sup>42</sup>

**23. In order for their increasing contributions to global policy development to be maximised, foundations must be brought inside global development processes. Chief amongst these are efforts to improve aid effectiveness, known as the Paris Agenda. It was encouraging that, at the recent High Level Forum on Aid Effectiveness, held in Busan, Korea, in November 2011, philanthropy was given a higher profile than at previous international fora. We recommend that DFID make efforts as far as are practicable to engage foundations as fully as possible in future development events and processes, including: follow-ups to Busan in 2012; the 'Rio+20' UN Conference on Sustainable Development in June 2012; and discussions of a post-2015 Millennium Development Goal Framework including the MDG 'special event' in 2013.**

## Venture philanthropy

24. A new form of philanthropy termed ‘philanthrocapitalism’ or ‘venture philanthropy’ is increasingly being practised by a wide range of foundations. It aims to apply business techniques to philanthropy with a greater focus on effectiveness, the market, performance goals and on return on investment. Sometimes the returns sought are financial as well as

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37 Robert Marten and Jan Martin Witte, ‘Transforming Development? The role of philanthropic foundations in international development co-operation’ (Global Public Policy Institute Research Paper Series No.10, 2008), p.24.

38 Q 59

39 In 2005, almost all major donors signed the Paris Declaration, aimed at improving aid effectiveness through improved co-ordination, harmonisation and efficiency.

40 Busan Partnership for Effective Development Cooperation, 1 December 2011, para 10, online at [www.busanhl4.org](http://www.busanhl4.org)

41 Robert Picciotto, Briefing Summary, ‘Evaluating Development Philanthropy in a Changing World’, commissioned paper for the Bellagio Initiative, November 2011, p.1

42 Q 10



social. Organisations such as the Omidyar Network, created by eBay founder Pierre Omidyar and his wife Pam, are piloting ethical for-profit investments in developing countries. This type of investing is known as ‘impact investing’.<sup>43</sup> The Omidyar Network describes its approach as:

A hybrid model centred on ‘flexible capital’: we make grants to non-profit organisations but also invest in for-profit companies that we believe can generate both financial and social returns – what is known as ‘impact investing.’ This hybrid model marries the ‘social good’ focus of the not-for-profit sector with the market incentives and drive for scale of the commercial world.<sup>44</sup>

The Omidyar Network operates both a foundation and a for-profit investment fund under the same roof, dedicating nearly equal resources to each: of the \$450 million invested so far, 46% has supported equity investments and 54% grants.<sup>45</sup> DFID states in its written evidence:

‘Impact Investments’ [are] designed to yield equity returns as well as a broader benefit for society. Examples of this ‘profit with a purpose’ approach include life insurance to people with HIV/AIDS in South Africa and savings, insurance and investment products in Kenya. [...] JP Morgan predicts that by 2020 up to \$1 trillion could be invested in this way.<sup>46</sup>

25. Matthew Bishop and Michael Green, co-authors of the recent book *Philanthrocapitalism*,<sup>47</sup> told us that this trend would mark “a significant shift in the way development is financed” and said there was a “powerful case for the mainstream investment community to explore impact investing as a business opportunity”.<sup>48</sup> They attributed the recent opening of offices in London by ‘philanthrocapitalists’ such as Gates and the Omidyar Network to the UK’s “leadership role in the fighting against poverty [...] drawing interest from private actors”.<sup>49</sup> However, they were concerned that DFID was missing an opportunity to exploit these new relationships because “of the continued focus of DFID on working primarily with other official donors [...] Many foundations and businesses feel that the door to UK government is closed”.<sup>50</sup> Whilst they welcomed the creation of DFID’s Private Sector Department, they noted that other donors, such as the US Agency for International Development (USAID), had already created ‘partnership offices’ to facilitate joint working with private actors.<sup>51</sup>

26. When we put this to DFID, it told us that its Global Partnerships Department was responsible for co-ordinating engagement with foundations. When we asked the Rt Hon

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43 Ev w24

44 Ev w26

45 Ev w27

46 Ev 58

47 Matthew Bishop and Michael Green, *Philanthrocapitalism: How the Rich Can save the World and Why We Should Let Them* (London: A&C Black, 2008)

48 Ev w24

49 Ev w25

50 Ev w25

51 Ev w25



Alan Duncan MP, Minister of State, DFID for his views on whether there was a role for DFID in co-ordinating and encouraging ‘venture philanthropy’, he said the answer “is an unequivocal yes”. He said this form of philanthropy “will be a growing process by which philanthropy can have effective influence” and that it “absolutely ties in with our focus on private sector development and growth”.<sup>52</sup> We will return to the issue of how DFID organises its relationship with foundations in Chapter 4.

**27. ‘Venture philanthropy’ or ‘philanthrocapitalism’ represents an exciting new direction for some forms of development funding by the private sector. The idea of ‘profit with a purpose’ products, whereby funding brings about financial as well as social returns, merits serious consideration as a new way to incentivise the business community to become more involved in development. DFID is clearly aware of the potential offered by this form of philanthropy work and has indicated it would like to do what it can to support it. We recommend that DFID now take some practical steps to build its support for venture philanthropy where it is appropriate to do so. For example, it could open a ‘partnership office’, possibly within DFID’s Private Sector Development Department, to facilitate collaboration with foundations and businesses, as donors such as the US Agency for International Development have done.**

## High profile advocates

28. Some foundations use celebrities (for example, Bono, Bob Geldof) or high-profile philanthropists (Bill Gates, George Soros) to promote or even lead their work. This has many advantages, including: building media profile; securing support from young people and new audiences; boosting donations; and increasing political pressure on global leaders.<sup>53</sup> The Gates Foundation’s ‘Living Proof’ initiative is an example of the way advocates—in this case Bill and Melinda Gates—can attract new audiences. Living Proof, now being taken forward by the NGO ONE, aims to communicate concrete results of aid and the value for money it can represent, and is particularly aimed at young people.<sup>54</sup>

29. Like foundations, advocates and celebrities can take political risks that taxpayer-funded agencies cannot. For example, the ONE campaign told us of a recent strongly-worded letter written by Bob Geldof to the French and German governments urging them to scale up their response to the famine in the Horn of Africa. ONE said, “This kind of statement is difficult for diplomatic actors to make in political fora”.<sup>55</sup>

30. Many witnesses, including the DFID Minister himself, agreed that a key advantage of advocates and celebrities was their ability to counteract the negative view of aid that was sometimes portrayed in the media.<sup>56</sup> The Gates Foundation told us:

The media representation of aid predominantly reinforces the scepticism of many people, by focusing on failures of aid programmes and stories of corruption. There is

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52 Q 127

53 Robert Marten and Jan Martin Witte, ‘Transforming Development? The role of philanthropic foundations in international development co-operation’ (Global Public Policy Institute Research Paper Series No.10, 2008), p.20

54 Ev 60

55 Ev 36

56 Q 134

little attention given to stories of aid working, let alone to the full complexity of the realities in developing countries. This representation skews the picture [...] As such, there is a greater need for advocates on international development both to keep international development on the national agenda and to balance the way in which it is discussed.<sup>57</sup>

31. High-profile advocates tend to communicate development ideas well to the public. A recent example of this was the role played by Bill Gates in the June 2011 replenishment of the Global Alliance for Vaccines and Immunisation (GAVI) initiative. It is significant that a recent YouGov poll noting declining UK public support for development showed much stronger support for the UK contribution to the replenishment of GAVI, perhaps indicating that advocates and foundations—in this case Gates—are better at identifying interventions that resonate with the public, and that they communicate them more effectively.<sup>58</sup> It is also certainly true that advocates and celebrities have better contact networks and communications experience in finance and campaigning than official donors.<sup>59</sup>

32. However, there are also criticisms made about foundations' use of celebrity advocates. For example, some believe that their interventions can skew development interventions planned by recipient governments and other donors.<sup>60</sup> Their role may be short-term rather than making a sustainable contribution to development. The Wood Family Trust recommended that, in order to minimise these risks, high profile advocates needed to communicate their activities to both the public and other donors in order to avoid duplication and promote co-ordination.<sup>61</sup>

33. We questioned the DFID Minister about the pros and cons of high profile advocates. He told us that such advocates “have done more for [...] development awareness than any DFID budget could ever have done.”<sup>62</sup> **High profile advocates are good at communicating development ideas. They attract new audiences and draw on contacts in a way that neither foundations nor official donors can. At a time when national and global aid budgets are being squeezed by the financial climate, advocates have an especially important role in underlining ‘good news stories’ about aid that can help counteract the negative view of aid sometimes portrayed in the media.**

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57 Ev 37

58 Ev w25

59 Ev w25

60 Ev 43

61 Ev 54

62 Q 133

## 3 Concerns about foundations

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### Single-issue interventions

34. Foundations can make independent decisions about what to fund. They often choose focused, “problem-oriented” interventions that produce fast results. For smaller foundations, adopting a single-issue approach is often the easiest approach, as Sarah Lock of the Nuffield Foundation told us:

It is much easier for us to focus on specific issues rather than addressing everything, but those single issues still fit into the big jigsaw [...] Having a single issue helps keep trustees on board and it also helps people who are applying for funding from us to know where to go.<sup>63</sup>

35. However, critics argue that a ‘quick win’ approach means that foundations may fail to recognise structural and political impediments to development. Rather than taking a holistic approach, critics say, foundations focus on isolated problems and devise ‘vertical’ interventions to deal with them—for example, developing vaccines for a single infectious disease without strengthening health systems (by training staff, improving clinic facilities or helping patients access care). It is argued that foundations risk creating parallel structures that could further undermine the effectiveness of public sector provision. One critic, Michael Edwards, has stated:

New loans, seeds and vaccines are certainly important, but there is no vaccine against the racism that denies land to ‘dalits’ (or so-called “untouchables”) in India, no technology that can deliver the public health infrastructure required to combat HIV, and no market that can re-order the dysfunctional relationships between different religions and other social groups that underpin violence and insecurity.<sup>64</sup>

36. Further, critics claim that foundations’ preference for innovation and flexibility can mean following development “fads” rather than focusing on trusted development interventions such as clean water provision and building schools and clinics. It has been argued that foundations focus “too much on glamorous science and long-term technology bets and not enough on putting boots on the ground in places like Africa.”<sup>65</sup> Dr Noshua Watson of IDS told us that foundations needed to build more local partnerships in developing countries:

When you look at those partnerships, the foundations that are giving are very recognisable names—Rockefeller, Gates, Hewlett and so on—but their partners are still largely think-tanks, academic organisations and NGOs in the US and Canada. Only about a fourth of their partners are abroad in, say, India, Kenya and so on and, even then, they are largely other think-tanks or academic institutions, so there is still

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63 Q 9

64 Michael Edwards, *Just another emperor: the myths and realities of philanthrocapitalism* (Demos, 2008), cited in Robert Marten and Jan Martin Witte, ‘Transforming Development? The role of philanthropic foundations in international development co-operation’ (Global Public Policy Institute Research Paper Series No.10, 2008).

65 ‘The side effects of doing good’, *The Economist*, 21 February 2008.

a lot of work to be done in terms of building up the links and partnerships between foundations and with NGOs or civil society organisations on the ground.<sup>66</sup>

She also highlighted a key risk with single-issue interventions:

If you are creating a monoculture of approach to a certain problem, particularly when that approach might not necessarily be empirically proven or state of the art in development practice, it becomes a problem.<sup>67</sup>

37. The problems caused by focusing on ‘vertical’, single-issue interventions instead of whole development sectors are demonstrated by recent comments made by Babatunde Osotimehin, the executive director of the UN Population Fund (UNFPA). In a recent interview, Dr Osotimehin said that “efforts to expand family planning services in the developing world stalled for a decade while global health organizations turned their energies to fighting HIV/AIDS.” He said “We made a mistake. We disconnected HIV from reproductive health. We should never have done that because it is part and parcel”.<sup>68</sup>

38. When we put criticisms about foundations’ single-issue focus to Jeff Raikes, Chief Executive Officer of the Gates Foundation, he defended the Foundation and said it sought to do both the “low tech” and the “high tech”; that is, that it committed substantial resources to strengthening health systems in poor countries by, for example, building pit latrines and providing anti-malarial bednets, as well as funding “high tech” immunisation initiatives.<sup>69</sup>

39. As we have said, DFID has provided generous support to GAVI, a single-issue vaccine and immunisation intervention. We asked the DFID Minister to respond to criticisms about vertical funds of this kind. He denied that by supporting GAVI, DFID was neglecting broader health projects in its partner countries. He said he had “asked this question robustly in the Department” and felt “genuinely that what GAVI and Gates are doing complements and supplements and does not displace”.<sup>70</sup> DFID has a large bilateral budget, spending the same in one year on the health sector—£830 million in 2010-2011, its largest expenditure for any sector—as on GAVI over five years.<sup>71</sup> Systems strengthening is a key priority for the Department: within Whitehall, DFID is lead (with the Department of Health) on the ‘Health systems and delivery’ pillar of the new cross-Government ‘Outcomes Framework for Global Health 2011-2015’.<sup>72</sup> DFID also works with the Rockefeller Foundation on their Transforming Health Systems initiative.<sup>73</sup>

**40. Critics have argued that the focused, ‘problem-oriented’ interventions followed by many foundations can risk focusing on isolated issues rather than wider obstacles**

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66 Q 6

67 Qq 10-11

68 ‘Focus on HIV/AIDS cost family planning a decade, says UN population chief’, *The Guardian*, 24 October 2011

69 Q 72

70 Q 101

71 At the GAVI pledging conference in June 2011, DFID committed £163m per year for the next five years (DFID, ‘What we do: Immunisation’, online at <http://www.dfid.gov.uk/What-we-do/Key-Issues/Health/Immunisation/>)

72 HM Government, ‘Health is Global: An outcomes framework for global health 2011-2015’, p.15

73 Ev 57

standing in the way of development such as inequality, conflict and poverty. However, equally, for small foundations, choosing a single issue gives a focal point around which trustees and grant-seekers can unite. As we noted in a previous recommendation, DFID has contributed generously to the Global Alliance for Vaccines and Immunisation—a classic ‘vertical’ intervention—but this is just one of a wide range of DFID health inputs, many of which focus instead of strengthening wider health systems. To avoid the risk of too many parallel, single-issue interventions springing up in the health sector, DFID should seek to engage foundations with global development structures such as the Paris Agenda, and use these fora to highlight the importance of sector-wide and ‘systems strengthening’ approaches.

### The education sector: left behind by foundations?

41. Education receives less attention from foundations than health. Data suggests that education represents around 5% of the global US\$9 billion philanthropic financial commitment, compared with over 80% for health. Additionally, much of the finance provided through corporate philanthropy for education is directed towards middle-income countries.<sup>74</sup> This means the education sector in the poorest countries misses out on much-needed funding. There are approximately 67 million primary school-age children out of school worldwide, along with over 70 million adolescents. Many millions more are in school but receiving an education of extremely low quality. Girls are often hardest hit, in terms of attendance and learning outcomes. Failure to make progress on getting children into school is holding back progress on other Millennium Development Goals, especially those on child survival, poverty reduction and gender equality.<sup>75</sup>

42. Kevin Watkins of the Brookings Institution partly attributes philanthropy’s relative neglect of the sector to the fact that education “lacks a strong multilateral core” and that there is no counterpart to the Global Funds of the health sector, which have provided a “financing window” for philanthropists and private sector actors. Watkins suggests the establishment of a Global Fund for Education, which—as well as catalysing finance for the education sector generally—could act as “a platform through which companies can deliver finance, technology and support to some of the world’s most disadvantaged children.”<sup>76</sup>

43. Encouragingly, we heard from several witnesses that a number of foundations were beginning to move into education, especially girls’ education.<sup>77</sup> DFID has a high profile collaboration with the Nike Foundation, which invests exclusively in projects for adolescent girls in the developing world (including a focus on girls’ education). The Foundation has opened the ‘Nike Girl Hub’ in DFID’s offices in London. In addition to the Palace Street base, the Girl Hub operates through DFID country offices in Ethiopia, Nigeria and Rwanda. DFID states in its written submission:

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74 Kevin Watkins, ‘Corporate philanthropy and the Education For All agenda’, Briefing Summary of commissioned paper for The Bellagio Initiative, November 2011, p.1

75 Ibid., p.1

76 Ibid, p.2

77 Foundations with education sector programmes include: Hewlett Foundation; Children’s Investment Fund Foundation; MacArthur Foundation; Elmo Philanthropies; ARK (a philanthropic organisation in India); Pearson; the Soros Foundation Open Society Institute; the Qatar Foundation; and the Aga Khan’s Foundations((Ev 57-58 and 61-62).

The Nike Foundation's deep expertise in girls as well as communications combined with the reach, scale and knowledge of DFID creates a powerful partnership in the Girl Hub joint venture that is capable of transforming girls' lives.<sup>78</sup>

DFID gave us some specific examples of outputs from the partnerships, such as the national rollout of an adolescent girl health programme with the Rwandan Ministry of Health and DFID Rwanda. In addition, DFID says the Girl Hub has supported DFID's top management group in redesigning its gender strategy to ensure girls and women are a key priority for every country.<sup>79</sup> We asked DFID whether it could look at extending Girl Hub activities into the Democratic Republic of Congo (DRC), which we visited this summer and learned of the terrible situation facing girls and women in the country, particularly in conflict-affected eastern DRC. The Department replied that "having a Girl Hub in neighbouring Rwanda means that [the Hub] are learning about the potential to reach girls at scale in this region."<sup>80</sup>

**44. Education in poor countries receives far less support than the health sector from foundations. DFID should encourage foundations to move into education sector, especially girls' education, in line with DFID's prioritisation of girls and women. It should look at either strengthening the Global Partnership for Education (formerly the Education for All Fast Track Initiative), or helping set up a new independent Global Fund for Education—either of which could help facilitate increased funding from foundations.**

**45. The Nike Girl Hub is an innovative approach that has scope to be scaled up, and possibly replicated in other sectors. We recommend that DFID extend Girl Hub activities to eastern DRC, where many girls and women face extreme hardships—especially gender-related violence—on a daily basis. Initially, a DRC Girl Hub could operate out of the Hub's base in Rwanda, but the long-term aim should be for an independent Hub in DRC operating within DFID's expanded programme there.**

## Accountability

46. Foundations differ from official development agencies in that, instead of being accountable to the taxpaying public, they answer to their boards and/or to their benefactor(s).<sup>81</sup> As we have said, this comes with advantages—notably that it can enable them to take more risks.<sup>82</sup> Yet at the same time this weakened accountability poses a challenge, as academics from the Institute of Development Studies told us:

There are serious issues around private foundations' lack of legitimacy due to the private and undemocratic nature of their decision-making processes. These

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78 Ev 57-58

79 Ev 60 and Ev 57-58

80 Ev 63

81 There are some exceptions to this, such as Comic Relief, which is different to many other private foundations in that its income is generated primarily through public fundraising rather than endowments. It says this makes it a unique case with an enhanced sense of accountability to the UK public (Ev w14)

82 Ev w19



processes need to be inclusive and actively seek to engage with local communities as well as other donors, NGOs and civil society organisations.<sup>83</sup>

47. Foundations and trusts are administered by trustees. Dr Noshua Watson of IDS emphasised that “within better governed foundations you find a separation between the trustees who determine the strategic direction of the foundation as a whole, and then the programme officers or programme managers who are subject specialists and actually make the funding decisions.” She said “when you have the trustees themselves making the funding decisions, they may not necessarily go in the direction they need to go or select the appropriate programme.”<sup>84</sup> She and other witnesses highlighted the importance of building the capacity of trustees with limited experience of international development (for instance, by getting advice from academics, donors and NGOs and working in partnership with more specialist organisations, as many foundations already do).<sup>85</sup> Improving monitoring and evaluation (M&E) is another route towards strengthened accountability. A recent study found that only 43% of US-based foundations formally evaluated the work financed by their grants. There is evidence that the larger foundations are improving their M&E: for example, the Gates Foundation now has an Impact Planning and Improvement Unit.<sup>86</sup>

48. A recent paper by Michael Edwards, co-author of *Philanthrocapitalism*,<sup>87</sup> detected an “accountability deficit” within the philanthropy sector, giving the example of the Gates Foundation, which, he asserts, controls a quarter of global spending on public health and yet “has a board of three family members plus Warren Buffet—a model that is unlikely to be effective in governance terms and is sure to raise more questions in the future.”<sup>88</sup> However, he concedes that, like other foundations, Gates is taking steps to improve accountability by using ‘advisory panels’ of various kinds. Edwards suggests a number of other ways in which foundations could strengthen their own accountability: by channelling funds through structures that are governed by a broad cross-section of stakeholders at the national and international levels, such as the Global Fund to Fight AIDS, Tuberculosis and Malaria, which has formal civil society representation on its board; diversifying their boards of directors; strengthening feedback from their grantees and other independent voices; increasing coordination with host country governments; channelling more resources through public structures; and “fostering a culture of self-criticism to produce a ‘social science of philanthropy’ from which everyone can gain”.<sup>89</sup>

49. DFID collaborates with private foundations on accountability and transparency through the Transparency and Accountability Initiative (TAI), which aims to empower citizens to hold governing institutions to account. TAI was launched in March 2010, is co-chaired by DFID and the George Soros Open Society Foundations and is funded by a

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83 Ev w47

84 Q 13

85 Noshua Watson, Sarah Lock and David McNair, Q 13

86 Cited in Marten and Witte (2008), p.21

87 Matthew Bishop and Michael Green, *Philanthrocapitalism: How the Rich Can save the World and Why We Should Let Them* (London: A&C Black, 2008)

88 Michael Edwards, ‘The role and limitations of philanthropy’ (commissioned paper for The Bellagio Initiative, November 2011, online at [www.bellagioinitiative.org](http://www.bellagioinitiative.org)), p.12

89 Ibid., p.2

consortium of four foundations.<sup>90</sup> One of TAI's aims is to bring together the major private donors to stimulate further innovation in major areas of development work (such as climate change financing, natural resource governance, aid and budget transparency).<sup>91</sup>

**50. The fact that foundations are accountable only to their board members and trustees, rather than to the public, brings both advantages and disadvantages. Poor accountability limits co-operation between foundations and official donors, and thus it is in the interests of DFID and other agencies to support foundations to strengthen accountability. We recommend that DFID offer its skills and experience to build the capacity of the trustees within smaller, UK-based foundations, who may have limited exposure to the international development sector. This training could emphasise other ways to strengthen accountability such as: setting up decision-making structures that involve local grantees and funding partners; increasing co-ordination with partner country governments; and improving monitoring and evaluation.**

## Transparency

51. The precise volume, distribution and targeting of foundation spending are currently unclear. Compared to official donors, foundation reporting is weak. This is especially true in Europe; the US foundation sector is more established and subject to more stringent regulations.<sup>92</sup> US regulations are set out in the Tax Reform Act of 1969 which exempts grant-making foundations from paying most taxes on their income from endowments. However, the Act requires a grant-making foundation to pay out at least 5% of the value of its endowment each year to charitable purposes. The Act also requires foundations to file annual returns that are publicly available with detailed financial and programmatic information, and to list every grant made.<sup>93</sup>

52. Currently, all that is required of foundations in England and Wales is the filing of annual reports and accounts with the Charity Commission (or in Scotland, the Office of the Scottish Charity Regulator, or in Northern Ireland, the Charity Commission for Northern Ireland). Foundations' reports must demonstrate how they are carrying out their charitable objectives and providing public benefit.<sup>94</sup> However, many foundations told us that they exceeded these requirements by voluntarily reporting a wide range of information about their spending on their websites.<sup>95</sup>

## Improving transparency

53. Steps are underway to improve transparency of foundations' spending. Some of the initiative is being taken by foundations themselves. For example, the Gates Foundation has

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90 The Open Society, Ford, William and Flora Hewlett and Pierre Omidyar Foundations. Hivos (a Dutch international NGO) and two global civil society networks (International Budget Partnership and Revenue Watch Institute) also provide support.

91 Ev 56-57

92 Ev w15 and Erik Lundsgaarde, 'Global philanthropists and European Development Co-operation', EDC 2020 Policy Brief no.8 (February 2011), p.2

93 Ev 37

94 Ev 34

95 For example, Baring Foundation (ev w3); Wellcome Trust (ev w43); Gates Foundation (ev 38)



begun reporting its health sector spending to the OECD Development Assistance Committee. It plans to extend this to all its international development spending as soon as possible.<sup>96</sup> Donors, too, are working to help ensure that reporting improves. DFID has taken a leading role in securing international support for the International Aid Transparency Initiative (IATI), which was launched in September 2008 as a voluntary, multi-stakeholder initiative aiming to make aid easier to track. Whilst so far it is mainly traditional donors (including DFID itself) that are making their reporting IATI-compliant—that is, conforming to the IATI Standard, which was agreed in February 2011 and lays out recommended data items for organisations to report on, including an agreed electronic format for reporting this data, enabling data from different organisations to be easily compared<sup>97</sup>—the Hewlett Foundation has also signed up.<sup>98</sup> The Initiative was given a strong boost at the Busan High Level Forum on Aid Effectiveness in November 2011 following the US’s announcement that it will become IATI-compliant. NGOs are also moving towards compliance: in March 2011, DFID announced that all NGOs receiving DFID funding through Programme Partnership Arrangements, Global Poverty Action Funds and Civil Society Challenge Funds would be required to be IATI-compliant by April 2013.<sup>99</sup> 75% of global Official Development Assistance now falls under IATI.<sup>100</sup>

54. The Gates Foundation has not committed itself to compliance but is, according to the submission from the NGO Development Initiatives, taking steps to “publish more detailed and timely data consistent with IATI standards”.<sup>101</sup> When we asked Jeff Raikes whether the Foundation was moving towards compliance, he said “we have chosen to publish our global health information in that format and we are working towards doing that with global development” but that it took “a little bit of time to get the data, reformat it into the appropriate categories”. He stressed that he thought IATI was “a good initiative for the world aid community”.<sup>102</sup>

55. Matthew Bishop and Michael Green recommended that the UK could tighten regulation further by introducing a 5% ‘payout’ rule for foundations to ensure that “these tax-subsidised vehicles deliver real public benefit rather than being ‘warehouses of wealth.’”<sup>103</sup> The DFID Minister cautioned against increasing regulation in this way, saying that encouraging IATI compliance was one thing, but that asking UK foundations in the development sector to conform to a completely different set of rules to other UK-based charities was problematic.<sup>104</sup>

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96 Ev 38

97 <http://www.aidinfo.org/open>

98 Organisations that are currently IATI-compliant include: DFID, the World Bank, the European Commission, the Hewlett Foundation and two NGOs.

99 Ev w17

100 ‘Busan has been an expression of shifting geopolitical realities’, Jonathan Glennie, *The Guardian* 2 December 2011

101 Ev w16

102 Q 86

103 Ev w25. According to the latest survey, by the Cass Business School, in aggregate the 100 biggest foundations in the UK (by donations) paid out 4% of the value of their endowments in 2007 (see ‘The five per cent solution’, Matthew Bishop and Michael Green, April 2010. Online at [http://www.stepjournal.org/journal\\_archive/2010/step\\_journal\\_april\\_2010/the\\_five\\_per\\_cent\\_solution.aspx](http://www.stepjournal.org/journal_archive/2010/step_journal_april_2010/the_five_per_cent_solution.aspx))

104 Q 124

56. Witnesses expressed concern that smaller foundations might struggle to achieve IATI compliance. Sarah Lock of the Nuffield Foundation said increased regulation might deter smaller foundations from funding international development work.<sup>105</sup> Noshua Watson of IDS agreed, saying “we do not want to create onerous bureaucracy that stifles innovation and stifles the ability of foundations to be flexible”. She stressed that currently the sources of data on foundations were largely private (in the UK, New Philanthropy Capital; in the US, the Foundation Center; and in Europe, the European Foundation Centre).<sup>106</sup> She said that mandating a public organisation such as the OECD DAC to collect data “would certainly benefit not only philanthropy but also development”, as this would enable the collection of aggregated philanthropic spending, which currently did not exist.<sup>107</sup> The DFID Minister also welcomed the idea.<sup>108</sup> As we have said, the Gates Foundation has already begun reporting its health sector spending to the OECD DAC and plans to extend this to all its international development spending as soon as possible.<sup>109</sup>

**57. The volume, distribution and targeting of foundation spending is currently unclear. Compared to traditional donors, foundation reporting is weak, especially within Europe. In the US, foundations are required to list every grant made and pay out 5% of the value of their endowment each year to charitable purposes. Improved transparency amongst foundations would help pre-empt the need to move to this kind of mandatory regulation in the UK. DFID deserves credit for its leading role in setting up the International Aid Transparency Initiative (IATI). The Department has taken steps to ensure that the NGOs it funds are becoming IATI-compliant. It is encouraging that the Hewlett foundation has also achieved compliance. DFID must now seek compliance from other foundations, including the Gates Foundation, which has already taken the step of voluntarily reporting its health sector data to the OECD Development Assistance Committee. DFID should encourage other, smaller foundations to report their spending to the DAC as a precursor to full IATI compliance. This would recognise the limited capacity within some smaller foundations to increase their reporting burden, and would facilitate a phased move towards increased reporting requirements.**

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105 Q 24

106 New Philanthropy Capital describes itself as a “consultancy and thinktank dedicated to helping funders and charities achieve a greater impact.” The US Foundation Center provides data, analysis and training to foundations, and maintains the most comprehensive database on US foundations. The European Foundation Center is an international association of foundations and corporate funders aiming to support the sector and document its activities.

107 Q 25

108 Q 126

109 Ev 38

## 4 DFID's relationship with foundations

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### How DFID works with foundations

58. DFID says that it “recognises the significant contribution of private foundations and individuals to development”, and expects to increase its engagement over the coming years, especially where “there are mutual benefits to such collaboration”.<sup>110</sup> It estimates that, at both policy and delivery level, there has been “significant engagement by DFID” with around 25 foundations in the last five years.<sup>111</sup> The Department says that it manages its relationships with private foundations “at a range of levels” within the Department, including through its London and East Kilbride headquarters and through its country programmes.<sup>112</sup>

### *The Gates Foundation*

59. The Department says its most significant engagement is with the Gates Foundation, with whom it has collaborated over the last ten years on a wide range of projects and programmes, especially those in the health, agriculture, financial services and sanitation sectors. The DFID-Gates relationship has involved working together on global advocacy for international development issues, such as partnering with the UK's G8 Presidency on Africa in 2005, and launching a new push for Polio Eradication with the UK Prime Minister in January 2011.<sup>113</sup>

60. Collaboration has also taken place on specific programmatic and research issues (see Table 1).

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110 Ev 55

111 Ev 55

112 Ev 55

113 Ev 36

Table 1: Examples of collaboration between DFID and Gates Foundation in the health sector

Name of project/programme	Details
<b>Health sector</b>	
Global Alliance for Vaccines and Immunisation (GAVI)	Multi-donor fund. UK Government, followed by the Gates Foundation, were the largest contributors to the June 2011 replenishment.
Global Fund to Fight AIDS, TB and Malaria	Multi-donor fund. Both the UK and Gates are significant financial supporters.
Roll Back Malaria Partnership's Global Malaria Action Plan	Multi-stakeholder initiatives. Both DFID and Gates have played instrumental roles.
Global Polio Eradication Initiative	Multi-donor health partnership. Partly due to DFID and Gates, the current three-year strategy includes an explicit focus on routine immunisation, improved governance and innovative financing.
Product Development Partnerships	DFID and Gates co-finance a number of these to develop tools to prevent and treat infectious diseases.
<b>Financial services</b>	
Technology Programme for Branchless Banking (TPBB)	In 2010, DFID provided £8 million over 4 years to the TPBB, which until then had been funded by the Gates Foundation and the Consultative Group to Assist the Poor.
Easy Paisa	Gates and DFID have collaborated on this mobile banking project in Pakistan.
Financial Sector Deepening Trust, Kenya	Originally set up with DFID support, the Gates Foundation is now supporting the Trust.
<b>Agriculture</b>	
Three programmes	Programmes cover covering livestock, veterinary medicines and sustainable crop production. See body of report for details.
<b>Water, Sanitation and Hygiene</b>	
Collaboration on range of projects	For example, both agencies fund Water and Sanitation for the Urban Poor, along with other donors.
<b>Country-level collaboration</b>	
India – HIV/AIDS	Government of India's National AIDS Control Programme III: DFID is co-funding this programme (£120m 2007-12) with Gates
DFID: Bihar, India	Close co-ordination on DFID's programme to avoid duplication
Country-level work in African countries	"Frequent partnership" in areas including HIV/AIDS, polio, governance, agriculture and rural finance.

Source: Ev 35-38 and ev 54-61

61. An example of how the relationship has worked in practice is the collaboration between DFID's Agriculture Research Team and the Gates Foundation on three programmes, covering livestock, veterinary medicines and sustainable crop production. DFID told us "the significance of the partnership is reflected in the commitments" (£46.2 million from DFID and US\$150 million from the Gates Foundation over seven years to 2015). It said that the partnership had already generated "high quality research products". The Department said that the collaboration with DFID's Agriculture Research Team "minimises transaction costs, significantly expanding its portfolio of research programmes, gaining greater access to technological expertise, private sector linkages, and their programme management and monitoring and evaluation expertise".<sup>114</sup>

62. As we discussed in Chapter 3, critics of large foundations such as Gates point to the risk of creating parallel structures and skewing the priorities of other donors and importantly, recipient governments. Both DFID and Gates denied this was currently a problem. The DFID Minister said Gates' support to GAVI, for example, "complements and supplements and does not displace".<sup>115</sup> The Gates Foundation gave examples of the measures it took to work collaboratively with governments rather than setting up new structures.<sup>116</sup>

63. The Gates Foundation told us, "We have a good relationship with DFID". They emphasised the frequent contact between the two agencies, with Jeff Raikes calling it "a regular relationship, with regular interaction. Many of our staff will be in contact as regularly as weekly."<sup>117</sup> The Foundation told us that it and DFID had now "identified contact points to co-ordinate the relationships between our organisations".<sup>118</sup>

**64. It is important that large bodies such as the Gates Foundation do not create parallel structures or skew the priorities of other donors and importantly, recipient governments. Both DFID and Gates denied that either of these risks pose a current problem. Based on the evidence we received, we agree. However, as foundations continue to grow in size and influence, this is a situation that needs watching.**

### ***Smaller foundations***

65. Gates' experience of regular contact with DFID was not shared by smaller, UK-based foundations. The Baring Foundation said DFID "has tended to concentrate on relationships with the largest funders such as the Gates Foundation, the Wellcome Trust and Comic Relief".<sup>119</sup> The Children's Investment Fund Foundation (CIFF), whilst in many ways highly complimentary about DFID as an organisation,<sup>120</sup> highlighted a problem raised by a number of other foundations: the availability of DFID staff time to engage with them. They said

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114 Ev 56

115 Q 101

116 Q 83

117 Q 67

118 Ev 36

119 Ev w3

120 Ev 42

Navigating DFID has been difficult, especially given the changes DFID itself has gone through in the last couple of years [...] Their own internal capacity, given those internal management reorganisations, to engage externally has been a little compromised. The lack of staff on some of the areas now is beginning to show. [...] DFID has very sophisticated partnership modalities with NGOs and partners. I think it is probably with the newer beasts like the private foundations that it is a little bit more challenging than for some of the traditional members.<sup>121</sup>

Sarah Lock, Co-convenor of the Association of Charitable Foundations' International Development Issues-Based Network, said

We have had Ministers come to talk to us. At the ministerial level, there seems to be quite a lot of interest in liaison with foundations but, at the civil servant level, particularly when everyone is very stretched at the moment, that is not following through.<sup>122</sup>

The Nuffield Foundation agreed, saying

There is at present little liaison between DFID and the mid-sized Foundations. We believe that both sides would gain from better contact. For example, most Foundations do not have an in-country presence and could benefit greatly from DFID's technical expertise. Similarly, DFID could find reports from work that the Foundations are funding of interest.<sup>123</sup>

Nuffield suggested that DFID "explore with a wider group of private foundations how they might share information about their respective work and plans".<sup>124</sup> The Baring Foundation said information-sharing could include: DFID advice on in-country needs; details of what DFID is already supporting within countries; and co-funding opportunities such as 'pots' for specific issues.<sup>125</sup> Christian Aid agreed, saying that co-ordination with UK foundations is "ad hoc" and would benefit from the formation of a collective group among larger foundations. They said "This would help to prevent duplication but would also promote learning, best practice, emerging issues and greater understanding of dangers and threats".<sup>126</sup> This kind of role is currently undertaken by the Association of Charitable Foundations' International Development Issue-Based Network.

66. Matthew Bishop and Michael Green said that "many foundations and businesses feel that the door to the UK government is closed and that partnership opportunities are being missed because of the continued focus of DFID on working primarily with other official donors. This needs to change."<sup>127</sup> Some UN agencies and bilateral donors such as USAID

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121 Qq 42-43

122 Q 17

123 Ev 51

124 Ev 51

125 Ev w3

126 Ev 44

127 Ev w25

have opened ‘partnership offices’ to facilitate joint working with private actors such as foundations.<sup>128</sup>

67. Ian Curtis, Head of DFID’s Global Partnerships Department, said he “took the point on smaller foundations” and “recognised that [engagement] might be an issue”. He offered to organise an annual roundtable meeting for a group of smaller foundations. The Minister said he would “happily attend” such an event.<sup>129</sup> However, the Minister was cautious about what DFID could realistically offer smaller foundations, saying

Any foundation can have access to us and officials will always be available to talk to them, but as their scale gets larger so their importance for us will grow [...] We have to rank them a bit and have an evaluation process in respect of how useful they are going to be.<sup>130</sup>

68. **DFID’s relationship with foundations appears to be somewhat *ad hoc*. The Gates Foundation spoke of having an identified contact in the Department, and of interaction on a weekly basis. Meanwhile, smaller foundations held a widely-shared view that it was difficult to have any kind of regular contact with DFID staff. We recommend the Department become more outward-facing in its approach to foundations, although we accept that DFID officials cannot meet regularly all the foundations that would like to meet with them. DFID has responded to our concerns and the Minister has offered to offer to host an annual meeting of a collective group of smaller foundations. We recommend that, in addition to the Minister-hosted annual event, DFID officials host meetings with foundations at more frequent intervals (at least bi-annually or even quarterly). We recommend that DFID identify a named contact point, probably within its Private Sector Department or Global Partnerships Department, with whom all foundations—large or small—can engage on a regular basis.**

### ***DFID’s funding relationship with foundations***

69. DFID told us that it did not normally provide funding directly to Foundations, but that funding arrangements were normally on the basis of co-funding programmes with foundations:

DFID currently provides funding of over £2.3 billion, alongside other donors, on programmes with the involvement of, and investment from, private foundations. GAVI is the largest, with £1.5 billion from DFID (2011-2015), £2.3 billion from 19 further sovereign donors and four private contributions (including La Caixa Foundation), and £0.86 billion from Gates. Besides GAVI, DFID has committed over £250 million to programmes in collaboration with other private foundations (including £13.9 million so far agreed for the Girl Hub with Nike and over £200 million for the Global Partnership for Education, on whose board the Hewlett Foundation sit, for example).

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128 Ev w25

129 Q 113

130 Q 111



These are figures for current commitments and do not include upcoming agreements which are still being developed and have not had funding amounts confirmed yet, or programme payments which have now been fully disbursed.<sup>131</sup>

70. A UK-based foundation, The Wood Family Trust, told us that it thought DFID should do more to make funding opportunities for smaller foundations available. It said it had held “preliminary discussions” with DFID about the possibility of getting Departmental funding for the Trust’s work with smallholder tea farmers in Tanzania and Rwanda, but that “frankly, we could not marry that into the kind of structure that DFID works with”. The Trust said it had “accepted the understandable regulations, restrictions and constraints that [DFID] works under as a Government body” but expressed frustration that they had not been able “to get that model” that would facilitate a funding partnership between them.<sup>132</sup> The Nuffield Foundation shared this perspective, saying “DFID should explore collaborative funding opportunities with foundations—particularly where foundations have the human resources to manage funding too small for DFID to administer.”<sup>133</sup> The DFID Minister said in response that “We have to abide by our standards, which are strictly laid down, of course, in terms of auditing, [...] of evaluation of impact and value for money”.<sup>134</sup> However, he said that “that does not mean that we are not flexible” and was especially interested in working more with entrepreneurs and business-minded foundations, saying that “an entrepreneur may know how to [open up markets] in a way that we, as DFID, might not do ourselves”.<sup>135</sup>

**71. Over the course of the inquiry we heard from several UK-based foundations—including those with considerable expertise in areas in which DFID is seeking to work more (for example, private sector development)—that they do not think there are sufficient opportunities for DFID and foundations to co-operate over funding. Funding co-operation between DFID and foundations could be mutually beneficial, bringing business expertise into DFID and helping transfer development-specific knowledge to foundations. Foundations may also have the human resources to manage funding too small for DFID to administer. We recommend that our suggested new contact point within DFID produce a simple publication indicating what DFID funding streams foundations might apply for and how to apply.**

## Working with foundations based in developing countries

72. As the Omidyar Network emphasised to us, it is important that the growing number of developing country-based foundations should also be included in DFID’s attempts to improve its outreach to the philanthropy sector.<sup>136</sup> As we said in Chapter One, developing countries are witnessing the rise of foundations and philanthropists, as is evidenced by the

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131 Ev 68

132 Qq 37-38

133 Ev 51

134 Q 114

135 Qq 114-115

136 Ev w32



formation of ‘philanthropic trade associations’ such as the Africa Grantmakers Network.<sup>137</sup> However, as the World Bank informed us, most developing country-based foundations are small.<sup>138</sup> In its written evidence, DFID admitted that its “engagement with foundations on the ground in Africa has mainly been with “western” based foundations working in Africa, based on the relationships around common interests at country level.”<sup>139</sup> However, it recognised that “the new African foundations are playing an increasing role in development.” It said it would be engaging with these foundations at a roundtable event organised by Business Action for Africa in late November 2011.<sup>140</sup> The Department also said it had held an initial meeting with AFFORD, the Africa Foundation for Development.<sup>141</sup>

73. At the 25 October evidence session, David McNair of Christian Aid suggested that DFID help co-ordinate philanthropy, including the work of foundations, through its country offices. He suggested DFID could follow the example of the Government of Liberia’s ‘philanthropy secretariat’, which “engages with philanthropists on the kinds of decisions that they are making and tries to co-ordinate that at the country level”.<sup>142</sup> Michael Bishop and Michael Green agreed, suggesting that DFID country offices should map out local and diaspora donors, particularly in countries such as India, Nigeria and Pakistan.<sup>143</sup>

**74. The number of foundations based in developing countries is growing. This is clearly to be welcomed but it means the number of development actors with whom developing country governments must engage is also increasing. We recommend that, as part of its wider efforts to improve aid effectiveness, DFID ensure that its country offices assist partner governments co-ordinate foundations and philanthropists seeking opportunities in the country. Further, DFID is only in the early stages of engaging with developing country-based foundations. We suggest it increases its engagement in order to form partnerships with these important new philanthropic actors.**

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137 The Africa Grantmakers Network aims to bring together grantmaking organisations from all over Africa and to be a platform for African philanthropy.

138 Ev w46

139 Ev 59

140 Ev 60

141 Ev 63

142 Q 8

143 Ev w26

## Conclusions and recommendations

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### Innovation and risk taking

1. Foundations can take political, 'focus' (in terms of project choice) and financial risks that official donors cannot. The world's largest foundation, created by Bill and Melinda Gates, has shown that risk-taking and innovation can produce outstanding results. The Foundation has made significant contributions to reducing the burden of malaria in developing countries. Thanks partly to funding from Gates, it is hoped a malaria vaccine will come to market in less than five years' time. New vaccines for rotavirus and pneumococcal infection, to be funded through the latest replenishment of the Global Alliance for Vaccines and Immunisation (GAVI, which receives around 18% of its income from foundations) hold the promise of reducing millions of child deaths from diarrhoea and pneumonia. (Paragraph 17)

### Contributing to policy development

2. In order for their increasing contributions to global policy development to be maximised, foundations must be brought inside global development processes. Chief amongst these are efforts to improve aid effectiveness, known as the Paris Agenda. It was encouraging that, at the recent High Level Forum on Aid Effectiveness, held in Busan, Korea, in November 2011, philanthropy was given a higher profile than at previous international fora. We recommend that DFID make efforts as far as are practicable to engage foundations as fully as possible in future development events and processes, including: follow-ups to Busan in 2012; the 'Rio+20' UN Conference on Sustainable Development in June 2012; and discussions of a post-2015 Millennium Development Goal Framework including the MDG 'special event' in 2013. (Paragraph 23)

### Venture philanthropy

3. 'Venture philanthropy' or 'philanthrocapitalism' represents an exciting new direction for some forms of development funding by the private sector. The idea of 'profit with a purpose' products, whereby funding brings about financial as well as social returns, merits serious consideration as a new way to incentivise the business community to become more involved in development. DFID is clearly aware of the potential offered by this form of philanthropy work and has indicated it would like to do what it can to support it. We recommend that DFID now take some practical steps to build its support for venture philanthropy where it is appropriate to do so. For example, it could open a 'partnership office', possibly within DFID's Private Sector Development Department, to facilitate collaboration with foundations and businesses, as donors such as the US Agency for International Development have done. (Paragraph 27)

## High profile advocates

4. High profile advocates are good at communicating development ideas. They attract new audiences and draw on contacts in a way that neither foundations nor official donors can. At a time when national and global aid budgets are being squeezed by the financial climate, advocates have an especially important role in underlining ‘good news stories’ about aid that can help counteract the negative view of aid sometimes portrayed in the media. (Paragraph 33)

## Single-issue interventions

5. Critics have argued that the focused, ‘problem-oriented’ interventions followed by many foundations can risk focusing on isolated issues rather than wider obstacles standing in the way of development such as inequality, conflict and poverty. However, equally, for small foundations, choosing a single issue gives a focal point around which trustees and grant-seekers can unite. As we noted in a previous recommendation, DFID has contributed generously to the Global Alliance for Vaccines and Immunisation—a classic ‘vertical’ intervention—but this is just one of a wide range of DFID health inputs, many of which focus instead of strengthening wider health systems. To avoid the risk of too many parallel, single-issue interventions springing up in the health sector, DFID should seek to engage foundations with global development structures such as the Paris Agenda, and use these fora to highlight the importance of sector-wide and ‘systems strengthening’ approaches. (Paragraph 40)

## The education sector: left behind by foundations?

6. Education in poor countries receives far less support than the health sector from foundations. DFID should encourage foundations to move into education sector, especially girls’ education, in line with DFID’s prioritisation of girls and women. It should look at either strengthening the Global Partnership for Education (formerly the Education for All Fast Track Initiative), or helping set up a new independent Global Fund for Education—either of which could help facilitate increased funding from foundations. (Paragraph 44)
7. The Nike Girl Hub is an innovative approach that has scope to be scaled up, and possibly replicated in other sectors. We recommend that DFID extend Girl Hub activities to eastern DRC, where many girls and women face extreme hardships—especially gender-related violence—on a daily basis. Initially, a DRC Girl Hub could operate out of the Hub’s base in Rwanda, but the long-term aim should be for an independent Hub in DRC operating within DFID’s expanded programme there. (Paragraph 45)

## Accountability

8. The fact that foundations are accountable only to their board members and trustees, rather than to the public, brings both advantages and disadvantages. Poor accountability limits co-operation between foundations and official donors, and thus it is in the interests of DFID and other agencies to support foundations to strengthen

accountability. We recommend that DFID offer its skills and experience to build the capacity of the trustees within smaller, UK-based foundations, who may have limited exposure to the international development sector. This training could emphasise other ways to strengthen accountability such as: setting up decision-making structures that involve local grantees and funding partners; increasing co-ordination with partner country governments; and improving monitoring and evaluation. (Paragraph 50)

## Improving transparency

9. The volume, distribution and targeting of foundation spending is currently unclear. Compared to traditional donors, foundation reporting is weak, especially within Europe. In the US, foundations are required to list every grant made and pay out 5% of the value of their endowment each year to charitable purposes. Improved transparency amongst foundations would help pre-empt the need to move to this kind of mandatory regulation in the UK. DFID deserves credit for its leading role in setting up the International Aid Transparency Initiative (IATI). The Department has taken steps to ensure that the NGOs it funds are becoming IATI-compliant. It is encouraging that the Hewlett foundation has also achieved compliance. DFID must now seek compliance from other foundations, including the Gates Foundation, which has already taken the step of voluntarily reporting its health sector data to the OECD Development Assistance Committee. DFID should encourage other, smaller foundations to report their spending to the DAC as a precursor to full IATI compliance. This would recognise the limited capacity within some smaller foundations to increase their reporting burden, and would facilitate a phased move towards increased reporting requirements. (Paragraph 57)

## The Gates Foundation

10. It is important that large bodies such as the Gates Foundation do not create parallel structures or skew the priorities of other donors and importantly, recipient governments. Both DFID and Gates denied that either of these risks pose a current problem. Based on the evidence we received, we agree. However, as foundations continue to grow in size and influence, this is a situation that needs watching. (Paragraph 64)

## Smaller Foundations

11. DFID's relationship with foundations appears to be somewhat ad hoc. The Gates Foundation spoke of having an identified contact in the Department, and of interaction on a weekly basis. Meanwhile, smaller foundations held a widely-shared view that it was difficult to have any kind of regular contact with DFID staff. We recommend the Department become more outward-facing in its approach to foundations, although we accept that DFID officials cannot meet regularly all the foundations that would like to meet with them. DFID has responded to our concerns and the Minister has offered to offer to host an annual meeting of a collective group of smaller foundations. We recommend that, in addition to the Minister-hosted annual event, DFID officials host meetings with foundations at more frequent

intervals (at least bi-annually or even quarterly). We recommend that DFID identify a named contact point, probably within its Private Sector Department or Global Partnerships Department, with whom all foundations—large or small—can engage on a regular basis. (Paragraph 68)

### **DFID's funding relationship with foundations**

12. Over the course of the inquiry we heard from several UK-based foundations—including those with considerable expertise in areas in which DFID is seeking to work more (for example, private sector development)—that they do not think there are sufficient opportunities for DFID and foundations to co-operate over funding. Funding co-operation between DFID and foundations could be mutually beneficial, bringing business expertise into DFID and helping transfer development-specific knowledge to foundations. Foundations may also have the human resources to manage funding too small for DFID to administer. We recommend that our suggested new contact point within DFID produce a simple publication indicating what DFID funding streams foundations might apply for and how to apply. (Paragraph 71)

### **Working with foundations based in developing countries**

13. The number of foundations based in developing countries is growing. This is clearly to be welcomed but it means the number of development actors with whom developing country governments must engage is also increasing. We recommend that, as part of its wider efforts to improve aid effectiveness, DFID ensure that its country offices assist partner governments co-ordinate foundations and philanthropists seeking opportunities in the country. Further, DFID is only in the early stages of engaging with developing country-based foundations. We suggest it increases its engagement in order to form partnerships with these important new philanthropic actors. (Paragraph 74)

# Formal Minutes

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**Wednesday 11 January 2012**

Members present:

Malcolm Bruce, in the Chair

Hugh Bayley  
Richard Burden  
Richard Harrington  
Mr Sam Gyimah

Pauline Latham  
Jeremy Lefroy  
Anas Sarwar  
Chris White

Draft Report (*Private Foundations*), proposed by the Chair, brought up and read.

*Ordered*, That the draft Report be read a second time, paragraph by paragraph.

Paragraphs 1 to 74 read and agreed to.

Summary agreed to.

*Resolved*, That the Report be the Thirteenth Report of the Committee to the House.

*Ordered*, That the Chair make the Report to the House.

*Ordered*, That embargoed copies of the Report be made available, in accordance with the provisions of Standing Order No. 134.

[Adjourned till Tuesday 17 January at 10.00 a.m.]

## Witnesses

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### Tuesday 20 October 2011

Page

**Dr Noshua Watson**, Research Fellow, Globalisation Team, Institute of Development Studies, **Sarah Lock**, Africa Programme Head, Nuffield Foundation, and **David McNair**, Principal Economic Justice Adviser, Christian Aid

Ev 1

**Sir Ian Wood**, Chairman, the Wood Family Trust, and **Peter McDermott**, Managing Director, Children's Investment Fund Foundation

Ev 8

### Tuesday 8 November 2011

**Jeff Raikes**, Chief Executive, and **Laurie Lee**, Deputy Director, The Bill and Melinda Gates Foundation

Ev 16

**Rt Hon Alan Duncan MP**, Minister of State for International Development, **Ian Curtis**, Deputy Director, Global Partnerships and **Chris Whitty**, Chief Scientific Adviser and Director for Research and Evidence, Department for International Development

Ev 24

## List of printed written evidence

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2	The Bill and Melinda Gates Foundation	Ev 35: Ev 39
3	Children's Investment Fund Foundation	Ev 41
4	Christian Aid	Ev 43
5	Institute of Development Studies	Ev 45: Ev 69
6	Nuffield Foundation	Ev 48
7	Sir Ian Wood CBE, The Wood Family Trust	Ev 51
8	Department for International Development (DFID)	Ev 54: Ev 63: Ev 64: Ev 68: Ev 70

## List of additional written evidence

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(published in Volume II on the Committee's website [www.parliament.uk/indcom](http://www.parliament.uk/indcom))

1	Baring Foundation	Ev w1
2	Centre for Charitable Giving and Philanthropy (CGAP)	Ev w4
3	Comic Relief	Ev w12
4	Development Initiatives	Ev w14: Ev w47
5	International Institute for Environment and Development	Ev w18
6	John Ellerman Foundation	Ev w22

7	Matthew Bishop and Michael Green	Ev w23
8	Omidyar Network	Ev w26
9	ONE	Ev w33
10	Shell Foundation	Ev w36
11	UK Collaborative on Development Sciences (UKCDS)	Ev w40
12	Wellcome Trust	Ev w41
13	World Bank	Ev w43



# List of Reports from the Committee during the current Parliament

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The reference number of the Government's response to each Report is printed in brackets after the HC printing number.

## Session 2010–12

First Report	Appointment of the Chief Commissioner of the Independent Commission for Aid Impact	HC 551
Second Report	The 2010 Millennium Development Goals Review Summit	HC 534 (HC 959)
Third Report	Department For International Development Annual Report & Resource Accounts 2009–10	HC 605 (1043)
Fourth Report	The World Bank	HC 999 (1044)
Fifth Report	The Future of CDC	HC 607 (1045)
Sixth Report	Scrutiny of Arms Export Controls (2011): UK Strategic Export Controls Annual Report 2009, Quarterly Reports for 2010, licensing policy and review of export control legislation	HC 686 (CM 8079)
Seventh Report	The Humanitarian Response to the Pakistan Floods	HC 615 (1435)
Eighth Report	The Future of DFID's Programme in India	HC 616 (1486)
Ninth Report	DFID's Role in Building Infrastructure in Developing Countries	HC 848 (1721)
Tenth Report	The Closure of DFID's Bilateral Aid Programme in Burundi	HC 1134
Eleventh Report	Financial Crime and Development	HC 847
Twelfth Report	Working Effectively in Fragile and Conflict-Affected States: DRC and Rwanda	HC 1133



# Oral evidence

## Taken before the International Development Committee

on Tuesday 25 October 2011

Members present:

Malcolm Bruce (Chair)

Richard Burden  
Mr Sam Gyimah  
Richard Harrington  
Pauline Latham

Jeremy Lefroy  
Mr Michael McCann  
Anas Sarwar  
Chris White

### Examination of Witnesses

*Witnesses:* **Dr Noshua Watson**, Research Fellow, Globalisation Team, Institute of Development Studies, **Sarah Lock**, Africa Programme Head, Nuffield Foundation, and **David McNair**, Principal Economic Justice Adviser, Christian Aid, gave evidence.

**Q1 Chair:** Can I say good morning and thank you for coming in to give us evidence? I just wonder first of all, for the record, if you could introduce yourselves?

**Noshua Watson:** Good morning. I am Noshua Watson from the Institute of Development Studies. I am here as the project manager of the Bellagio Initiative, which is funded by the Rockefeller Foundation. The Initiative is doing a series of global consultations and commissioning research on the role of philanthropy in international development. We are looking at the challenges to promoting human wellbeing and how philanthropic foundations can engage strategically with those challenges.

**Sarah Lock:** I am Sarah Lock. I am head of the Africa Programme at the Nuffield Foundation, but I also share the co-ordinating role of the foundations that support international development that are members of the Association of Charitable Foundations. I think I am wearing two hats here. What I hope to do is to be able to shed some light on what it is that UK foundations contribute to international development, the scale of it and the scope of it.

**David McNair:** My name is David McNair. I am the Principal Economic Justice Adviser at Christian Aid. We are the official development and relief agency of 41 sponsoring Churches in the UK and Ireland, and we work in over 40 countries around the world with local organisations, and we have experience of the dynamics of poverty at the local level. We think that NGOs have a role to play in facilitating the activities of foundations in developing countries. About 2% of our income comes from foundations, so it is not a huge amount, but we do engage with foundations, both at a funding and at a policy level.

**Q2 Chair:** Thank you for that. This is the first evidence session on this inquiry. Essentially, we are trying to find out what private foundations do, to what extent they add value to the development field, how they interact with either other NGOs or public agencies and, overall, if the outcome is good, bad, mixed or indifferent. I have no pre-judgment on that. I wonder if we could start off by saying what you think the role of foundations should be. Is it just the

will of the philanthropist who set it up or should they have some kind of agenda and should they do something different? You say Christian Aid gets some of the money from foundations, but you distinguished between the role of foundations and the role of Christian Aid. Should they be doing something different and, if so, what should it be—different from donors and from NGOs?

**Sarah Lock:** Can I first make the point that the whole inquiry talks about “private foundations”, which is a US term? It seems that much of the emphasis is on the role of US foundations, so I am just going to be talking about the UK ones. In terms of whether the work funded should just be at the whim of the philanthropist who set it up, to an extent, foundations are bounded by the trust deed that was laid down by the individual or set of individuals who set up the fund, but certainly within the group of foundations within the Association of Charitable Foundations, we are concerned to make sure that we do not duplicate any of the work funded by the larger donors, and, in fact, that we complement it or work on a smaller scale, the scale that these larger funders find difficult to reach, or in areas that, for one reason or another, those larger funders do not support.

To give you an idea of the kind of scale of the UK foundations sector, Nuffield, together with the Baring Foundation and the Paul Hamlyn Foundation recently commissioned a report on UK foundations. We found that, in 2009–10, their overall giving was £290 million. That represents in scale terms about half of what DFID contributes to the voluntary/NGO sector and a little bit more than 4% of DFID’s total spend. That gives you an idea of how we are operating. We are a very diverse group, with a small number of foundations giving a large amount of money and then a tail-off of people giving smaller and smaller amounts, but with 90 foundations between them giving more than £50,000 a year. We found that, of all the foundations in the UK, they were giving 9% of their total funding to international development.

In terms of whether we are following the mainstream ideas about how best to fund international development, it is fair to say from the study that most of us are. Our key areas are healthcare and education,

followed by sustainable economic and agricultural development. That pretty much reflects DFID's pattern of spending. We work at both the strategic level—working through Governments to help implement various programmes that can then be scaled down—but also at the grassroots level. I would say that our signature strengths are that we are very flexible. Particularly once we have made a grant, we try to work very closely with the implementers so that we can respond to any difficulties that they come across and be able to approve any changes, and we are also very responsive to new areas that need supporting. I think we are pretty much close to the ideal. We do collaborate with each other, in terms of sharing information, although that could be improved, and we also fund collaboratively. Later on if you like, I could give examples of that.

**Q3 Chair:** David McNair, you say that you draw some money from foundations. That is presumably because those foundations offer you something that other sources of income do not. Could you perhaps give us an example?

**David McNair:** We see the positive benefit of the flexibility that foundations have. The countries in which we work are high-risk environments and we need innovative solutions. Often institutional funders do not have the freedom to provide that, so we think that is a very important part of what the foundations do. I suppose foundations play two primary roles in development as we see it. First, they can play a role in addressing immediate problems as a result of food crises, and so on and so forth, but they can also take political risks—whether that is the Mo Ibrahim Foundation and its African governance award, whether that is the Open Society Foundations and their work on transparency and governance.

We see that second aspect of what foundations do as crucial. With the trend towards more results- and evidence-based indicators for institutional funding from states, there is a risk that those kinds of intangible issues around governance are neglected. That is where foundations may come in and play a significant role. Ultimately, if we want to challenge poverty, we need to understand the local dynamics. That is where NGOs like Christian Aid have partnerships at the local level; we have been there for a long time and we can help foundations that maybe do not have the capacity to monitor those kinds of dynamics or do not have the experience. We can help them to channel that funding.

**Q4 Pauline Latham:** You said that foundations can provide innovative solutions as opposed to other bigger organisations. Can you give me an example of an innovative solution that you can provide, or in the past have done, that other people perhaps would not have thought of doing?

**David McNair:** We have examples of supporting, with funding from Christian Aid supporters and foundations, farming co-operatives in Latin America that initially were not profitable and now are. Some of those kinds of initiatives would not always be supported by institutional funding because of the risks involved.

**Q5 Pauline Latham:** How did you do it?

**David McNair:** I think it was a matter of seed funding to get businesses going and providing our expertise in relation to the institutional environment, so helping advocacy to enable those co-operatives to function within the context in which they operate, as well as providing our expertise on agriculture and how to make a business work.

**Q6 Richard Harrington:** Thank you very much for coming to see us this morning. As our Chairman explained, it is a completely new field to us. My own experience in this field is not in terms of international development but in terms of the use of foundations within the UK for charitable purposes. Without boring anyone too much, I would just like to say how it has evolved here to see if you think there is direct relevance. We found with foundations, when I worked for a children's charity, that there were two types. There are those that actually become NGOs in their own right, which is not just scale, because some people who have vast amounts of money to give do it through other organisations—which is the second type—but a question of policy. Certainly within the UK field, I have seen from my own experience both being very good indeed. Some effectively are just giving money to organisations that actually spend it and some are setting up the equivalent of the Gates Foundation. For example, to eradicate a type of cancer, they have hired the research facilities, doctors, scientists and all this kind of thing. Do you feel that is how the private foundations will evolve in the international development field?

**Sarah Lock:** I would say we are already operating in that way. Some, like the Nuffield Foundation, give through NGOs or UK universities. Others, people like the Children's Investment Fund Foundation, set up and work directly on the ground. Both ways are effective and we will continue working in those different ways.

**Noshua Watson:** Can I respond to your question a bit more? One of the biggest differences between foundations and donors is that, these days, particularly with more of the emphasis on value for money, donor funds tend to be more specific. You have special-purpose funds; they are tied up in technical assistance, administration, debt relief and so on. Foundations are able to be a bit more flexible. There is a different kind of accountability and governance that Ministries and Governments do not encounter. Some examples of the kinds of speculative programmes that foundations have engaged in in the past are the Green Revolution, with maize, rice and so on, and population and malaria research. These are things that we take for granted today where foundations funded the initial activities.

With respect to how foundations engage on the ground or how their evolution is changing, what you find right now, to use a US example—because at the moment US foundations still continue to give the most on a country basis—when you look at US foundations giving to poverty, it is approximately \$3 billion. Only about a third of that is to international development. When you look at those partnerships, the foundations that are giving are very recognisable names—

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25 October 2011 Dr Noshua Watson, Sarah Lock and David McNair

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Rockefeller, Gates, Hewlett and so on—but their partners are still largely think-tanks, academic organisations and NGOs in the US and Canada. Only about a fourth of their partners are abroad in, say, India, Kenya and so on and, even then, they are largely other think-tanks or academic institutions, so there is still a lot of work to be done in terms of building up the links and partnerships between foundations and with NGOs or civil society organisations on the ground.

**Q7 Mr McCann:** Good morning and thank you for coming to see us today. I think I perhaps know the direction of travel on this answer, but some critics of foundations suggest that they can focus on single issues—they can be isolated—rather than focus on structural and political obstacles to development, such as poverty and inequality. What is your take on that?

**David McNair:** What we need to do is ensure that what foundations are prioritising is in line with the country-level priorities. That is particularly important in the context of the aid effectiveness debates in the run-up to the high-level forum in Busan.

**Q8 Chair:** By “country priorities”, do you mean recipient or donor countries?

**David McNair:** Recipient countries. There are great examples in Liberia, where Liberia has set up a philanthropy secretariat, which engages with philanthropists on the kinds of decisions that they are making and tries to co-ordinate that at the country level. I wonder if there is a role for DFID country offices or DFID generally in facilitating that kind of co-ordination.

As I mentioned, the risks that foundations are able to take enable some foundations to do quite risky things. The Mo Ibrahim Foundation provides an award for African governance and publishes an index of African governance. That is a really innovative approach to rewarding best practice and encouraging African leaders to manage their countries in a way that benefits the people. In addition, they engage at a country level to help civil society hold Governments to account. That pincer movement of both rewarding the leaders and helping civil society to hold Governments to account is really important and political.

**Q9 Mr McCann:** When you answered the question earlier, you mentioned that a lot of the objectives of foundations tie in with, for example, DFID’s objectives. Therefore, would you take the view that the criticism is not warranted and, in the vast majority of cases, private foundations are actually complementing the work of governmental organisations?

**Sarah Lock:** Yes, I think that is correct. On the single-issue issue, particularly for the smaller foundations, it is much easier for us to focus on specific issues rather than addressing everything, but those single issues still fit into the big jigsaw. I think that is fine. Having a single issue helps keep trustees on board and it also helps people who are applying for funding from us to know where to go.

**Q10 Mr McCann:** Is there any danger that foundations will set up parallel structures to what is being intended on the ground?

**Noshua Watson:** What we are getting at here is that there is a general issue of co-ordination, not only between foundations on the ground but also between foundations themselves, foundations and Governments, and foundations and NGOs. There is a lot of overlap and there is not necessarily always accountability. At the meeting in Busan, they are going to discuss the Paris Declaration on Aid Effectiveness and whether or not foundations should sign up to it. But when you have an agreement to which not only donors can agree but foundations as well, you risk watering down the principles behind it. The issue of co-ordination not only between foundations but between foundations and other types of organisations is going to be a crucial issue.

**Q11 Mr McCann:** Is overlap good or bad, or is it both?

**Noshua Watson:** From an economic standpoint, if your overlap is promoting different approaches to a similar problem, then that might not necessarily be a bad thing, but if you are creating a monoculture of approach to a certain problem, particularly when that approach might not necessarily be empirically proven or state of the art in development practice, it becomes a problem. One role that foundations might play is that, because foundations are increasingly focused on results, they may be more inclined to fund a specific approach rather than funding a variety of approaches.

**Q12 Chair:** Before I bring in Richard Burden, I just want to clarify something. You said “private foundations” is an American term. We are simply looking at the fact that they are privately funded, but of course the American foundations are big players in the UK and in UK partner countries. It is inclusive—that is the point I want to make clear—and it was certainly intended to be.

**David McNair:** I was just going to refer to one example that we have been aware of in India, where a major foundation funded some research on HIV and AIDS and conducted some randomised control trials. The same foundation then funded a different NGO, which did not engage with that research agenda or the local NGO that was working on HIV/AIDS and it affected the results. That lack of co-ordination undermined both the sector and the impact of that research. There are examples where this has been unhelpful. It is not necessarily a huge failure but that is where we could look at synergies and co-ordination that could improve things.

**Q13 Richard Burden:** All of us are struggling with whether there actually is a problem here or not.

**Chair:** We are not looking for problems.

**Richard Burden:** There is a dilemma that has come out already in the discussion that, on the one hand, if the strength of foundations of whatever kind can be their ability to move quickly, to be flexible and just go where others are not in some ways, that can add value but can sometimes distort what is going on as well. I was struck by the fact that one of you said that,

in making decisions, you tried to listen to what the recipient country would want. Often the issue is: who makes the decision about what the recipient country would be? I know there are different kinds of foundations but, given the fact that they are run by trustees, do you think trustees themselves, particularly in smaller foundations, have got the necessary level of development expertise to make decisions on where to work and how to work? If not, what can be done about that without losing that kind of spontaneity and flexibility that you were talking about?

**Sarah Lock:** I think you are right. Particularly for the smaller foundations whose trustees decide that they want to do something to support international development work, if they do not have trustees with experience of international development, they need to get that somewhere else. They could decide to fund through the well-known NGOs, because they seem to be doing a good thing, or they could get advice from academic experts, who have knowledge of specific issues or areas; or they could decide to collaborate with other foundations that can provide that kind of input. There are various ways that foundations can get around this, but I do accept that, for most smaller foundations, it is difficult for the trustees to decide on their own what is best to fund.

**David McNair:** Can I pick up on the governance issue? It is an area where NGOs can play an important role. A small foundation recently approached us wanting to fund some work on land grabbing in Sierra Leone, which is a growing and significant issue for those communities that are affected by it, and it is an issue of governance, in that the Government are not negotiating on deals that deliver a fair deal for the country. We are in discussion with them; we have partnerships on the ground. We have advocacy partners that are engaging with Government, are aware of the dynamics on the ground and can do research; we have a network of consultants. We can then get those messages out to the media, policymakers and influencers across the spectrum. There is a role for NGOs where governance is weak.

**Noshua Watson:** I think that, particularly with the proliferation of actors in international development and foundations as well, there is a need for capacity building within foundations. As David said, this is a governance issue, and within better governed foundations you find a separation between the trustees who determine the strategic direction of the foundation as a whole and then the programme officers or programme managers who are subject specialists and actually make the funding decisions. As you will notice, when you have the trustees themselves making the funding decisions, they may not necessarily go in the direction they need to go or select the appropriate programme for addressing the problem.

**Q14 Richard Burden:** I accept what you say, but sometimes it is a combination of the two. This is where, again, we are just trying to probe whether there is a problem. An *Economist* article argued recently that foundations can quite often focus “too much on glamorous science and long-term technology bets, and not enough on putting boots on the ground in places

like Africa”. I guess what that would be getting at is that, yes, they are flexible. Perhaps in the health sector a lot of great work may be done in relation to the three big diseases, particularly HIV/AIDS or a good technological thing like the Gates Foundation responding to the emerging threat of drug-resistant malaria in south-east Asia. But from a development point of view, are the foundations concentrating enough on building up health systems that themselves could actually begin to tackle those problems? Am I tilting at windmills here or is this something that needs to be addressed?

**Noshua Watson:** I think you make a very good point about the need for investment in systems—in administrative and technical capacity—as opposed to funding acute problems. Actually I do think that you are seeing a movement towards that. One of the projects I am working on is just on that: building up health systems in low-income countries. It is jointly funded by DFID and the Rockefeller Foundation as well as eight other donors, the IFC and so on. The difficulty with that is that these become multi-actor programmes. The programme we are looking at right now is building up health systems through mining companies. You can imagine the political difficulties of doing that on the ground, but also here as a researcher. You also have to build multi-donor coalitions. Where you see public-private partnerships seemingly being an appropriate solution, you may find more of a systems focus, but that is very emergent in the field right now.

**Q15 Pauline Latham:** When you talk about multiple organisations coming together to fund things, is there a problem then with everybody wanting to have their say, a bit like a committee, so you are deciding on things by committee rather than somebody having a clear focus on where you are going? Does it muddy the water by having lots of different organisations working together?

**Noshua Watson:** Absolutely, but there are two dimensions to that. The first is the goal setting, as in what it is the organisation or the coalition is trying to accomplish, and then the actual administration of it. One example of a public-private partnership where you have had donors and foundations come together is the Medicines for Malaria Venture, where they have decided that they want to bring to market malaria vaccines and treatments—ACTs—that would not otherwise be viable in the market by funding some of the research as well as the market research to find ways to deliver it to the people who need the medicines. Because they were able to agree very clearly on what the objective of that partnership was, they were able to have a coalition. Here is an example of the decision-making process: on the project that I am working on, funders are taking turns in terms of who is evaluating and who is funding the work. It moves in two- to three-year cycles, so there is a lead funder or a lead evaluator at the time. Otherwise in a coalition of 10 funders, you can imagine that the project would not go anywhere.

**Q16 Chris White:** Good morning. In the Christian Aid submission, there were various criticisms of UK

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foundations being unstructured and some of the ad hoc processes that went on. Would you agree that UK-based foundations could be better co-ordinated, and also would you see that there is some duplication going on between organisations' work? What could be done about this?

**David McNair:** I do not think we would go as far as criticising UK foundations, but maybe there are lessons we could learn from the US community, where initiatives like the African Grantmakers Affinity Group meet regularly to share information and best practice. Perhaps there is a role for that. Just one example: I was at the IMF/World Bank annual meetings at an event on aid transparency. There was an African finance minister there who was saying it is often very difficult for them to budget, because they do not know where the aid flows are coming in, particularly from private funding. Greater transparency and co-ordination at the country level, in line with the Paris principles, is really important. At the UK level, there may be a role in peer reviewing and sharing best practice. Perhaps DFID could contribute to that.

**Sarah Lock:** I know that UK foundations do collaborate, but there is scope for more. We and certainly those involved in ACF would be very interested in having formal meetings with DFID to talk about these issues.

**Q17 Chris White:** Do you think this is something that very much needs to happen, something you would be calling for and something that needs to be happening very much in the near future?

**Sarah Lock:** Yes. We have had Ministers come to talk to us. At the ministerial level, there seems to be quite a lot of interest in liaison with foundations but, at the civil servant level, particularly when everyone is very stretched at the moment, that is not following through, but it is certainly something we have called for and will continue to call for.

**Chris White:** While this goes on to whatever degree, it is creating waste, and funds are being lost where they should be going otherwise. Perhaps this is something the Committee should be looking at and start to generate from our side. I do not know what you think, Chairman.

**Q18 Chair:** That is partly what we are trying to explore right now. What occurs to me is, if there is scope for some co-ordination or some intervention from DFID, which is questionable in one sense, the outcome is: who is adding value to whom? I suppose in an ideal world it is both, but is it necessarily going to be both?

**Sarah Lock:** I think it would be both. At the technical strategic level, DFID can provide information on that, but as to what is going on at grassroots level, the NGOs have an input on that but so do the foundations that are funding there. They can talk about how they have done it and different ways of doing it.

**Q19 Chair:** You do not want to get sucked into the bureaucracy.

**Sarah Lock:** Oh no.

**Q20 Jeremy Lefroy:** I would like to move on to talking about the largest foundations and particularly Gates, which dwarves all others apparently. It has disbursed something like \$25 billion to \$26 billion since its inception. Clearly a lot of great work has been done through Gates, but do you see problems in having one foundation being so dominant across such a wide range of activities?

**Noshua Watson:** It is not really clear what the benefits or disadvantages are of having a kind of monopoly in philanthropic funding in the way that Gates does. On the one hand, they are able to concentrate their efforts and flood the zone with funds. They are also able to co-ordinate in a way that many foundations have not been able to do in the past. One of the biggest issues with having a dominate player is that an independent academic asked to, for example, review or evaluate a project may have a laboratory that is funded by Gates. The problem is that any independent observers in the ecosystem tend to get co-opted because of the availability of the funding and the focus on a particular issue. Also, because of their dominance, they have some say over the management decisions made by some of the organisations that they sponsor. When you have a dominant player, you might choke off innovation or alternatives that might be springing up elsewhere. Frankly, a foundation with that kind of influence is unprecedented.

**David McNair:** I would reiterate Noshua's comments with regard to accountability and transparency. The role of NGOs in holding institutions to account is crucial, but, where an institution is so dominant in providing funding, that may restrict or disincentivise NGOs from criticising where there may be bad practice going on. That reiterates the need for open management structures and opportunities for NGOs to provide constructive criticism in the right environment.

**Q21 Jeremy Lefroy:** There is some data from the World Bank that indicates that, in 2006, some 45% of grant-giving of US foundations went to economies such as China, India, South Africa and Brazil rather than the poorest. I would not say that is particularly true of the Gates Foundation, but do you see that as being a problem—that perhaps foundations will tend to work in countries where results are easier, it is easier to work or perhaps it is even as simple as where people prefer to live?

**Noshua Watson:** This is an ongoing debate within the international development community, because one of my colleagues at IDS, Andy Sumner, has found that the majority of the poor are now in middle-income countries. You have had an increase in income inequality in middle-income countries, but you still have the poorest of the poor. It is an ongoing debate as to what is the appropriate way to structure funding and programmes to reach that.

With respect to Gates specifically, people tend to forget that, in addition to health, Gates funds domestic education initiatives in the US; they also fund a number of agricultural initiatives as well. There are still a number of issues out there that require the kind of co-ordination and concentration that have been given to health issues. The field is still wide open.



**Q22 Jeremy Lefroy:** Given that Government aid—and I am thinking particularly of DFID—tends to want to focus on the poorest countries—for the obvious reason that taxpayers, as we have seen from the debate in this country, do not want to see their money going to countries like China or perhaps even India, where they think the Governments have the resources to cope themselves—do you think that foundations have a role to play, because they are not so beholden to such political considerations?

**Noshua Watson:** One of the issues in terms of aid, when you are dealing with the population at home, is that support for aid is declining in general. In order to maintain that support, it is reasonable to focus on the poorest of the poor in the poorest countries. However, when you are dealing with countries like China and India, you have great income inequality. There is no reason why those Governments should not be encouraged to, say, structure their domestic policies in ways that would influence or reduce that inequality. A stronger argument possibly against funding emergent or BRIC countries is that they are becoming donors themselves.

**Q23 Chair:** On the point you have just picked on about the support for aid declining, do you think the fact that foundations, which are privately funded, are engaging in development and saying, “We can do this and deliver results,” helps to restore credibility to that public support? In other words, if Gates, who is a multi-billionaire with a very successful business, thinks he can add something to development, does that not reinforce the case that development can work and maybe their scepticism is not so well founded?

**Noshua Watson:** Our research is based on the UK Public Opinion Monitor. It is not just necessarily a decrease in the credibility of aid or in development; it is also that this is simply a time of shrinking budgets, domestic troubles, all sorts of international issues and conflict, when people are weighing aid versus other spending priorities.

**Q24 Mr Gyimah:** Financial reporting requirements for American foundations are considered to be far more stringent than for European foundations. In your view, and this is to all three of you, do you think foundations are sufficiently transparent about how they go about their spending? Following on from that, should there be greater requirements placed on UK-based foundations regarding financial reporting? For example, should they have to comply with the IATI?

**Sarah Lock:** In the UK, trusts and foundations are regulated by the Charity Commission and we have to comply with SORP. Most of us make public what we fund via our websites. If there is more regulation put on foundations, particularly on international development work, I fear that certainly the smaller foundations would just not be able to fund in that area. I think our reporting is transparent enough, and I am not sure where the calls are coming from and what is causing the concern that there needs to be more transparency.

**Noshua Watson:** I think that the concern for transparency is not necessarily a UK-specific issue. I

think it is more of an international issue, but that alone brings complexities. For a national issue, you could say you are going to create a specific status for philanthropies or NGOs, which the UK has, but what would be the extent of Government oversight and reporting? Even then, in terms of internationally, how do you align with other Governments’ requirements and, given we are talking about international foundations and giving, how do you make sure that remains legal in this day and age? There are national solutions, but they need to be integrated within an international framework, whatever actions are taken.

**David McNair:** I would say that, given the increasing role of foundations in influencing policy, there is a need for transparency around the kind of policy influencing that foundations are funding, because they may have vested interests. I do not have specific examples of this, but the principle of transparency around what kind of political perspectives foundations are funding in a particular context is important.

**Q25 Mr Gyimah:** Thanks for that. I would like to know what your thoughts are on this idea that the OECD Development Assistance Committee should have a stronger role in collecting data on foundations to complement their monitoring of official aid commitments.

**David McNair:** I think that is a very positive thing. I would agree with Sarah that we do not want to create onerous bureaucracy that stifles innovation and stifles the ability of foundations to be flexible. I mentioned earlier my example of the African Finance Minister who found information on aid flows, both public and private, crucial in developing their own budget and ensuring that everything fitted together. That principle is very important.

**Noshua Watson:** I agree strongly, largely because the sources of data right now are largely private or led by private organisations. In the UK, there is New Philanthropy Capital. In the US, you have the Foundation Center and *The Chronicle of Philanthropy*. In Europe, you have the European Foundation Centre, but there is really not a way to collect data on philanthropy, on giving, on who the recipients are, which is one of the largest problems for co-ordination. If the OECD DAC were involved in that, it would certainly benefit not only philanthropy but also development.

**David McNair:** Part of it is the format those data are supplied in, so it can be used effectively.

**Sarah Lock:** That would be my point: I think foundations would want to comply as much as they were able. It may be that you have a grading of data that is required, depending on the size of the foundation.

**Q26 Richard Harrington:** If possible, I would just like to move on to the kind of area where philanthropy meets capitalism, which has got a few trendy buzzwords like “philanthrocapitalism” and things. In practical terms, I just wondered what your view on it is. Is it just something that is a bit of a new fad, or do you feel, for example, that it competes with work that you do, when donors and foundations are putting money into businesses? They may be to make social

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returns rather than just financial returns, but they are commercial operations, or do you feel that there is plenty of space for both?

**Sarah Lock:** I would say there is plenty of space for both. That group of philanthropists you are talking about is not part of the ACF network. They tend to want to go it alone. I think that investing in businesses and getting economies up and running is exactly what is needed, alongside the traditional strengthening of public services.

**Noshua Watson:** I was going to say that there are already massive streams of non-philanthropic funding that influence international development—micro-finance, remittances, foreign direct investment. It is not surprising that foundations choose to invest in, say, small businesses, small- to medium-sized enterprises, micro-enterprises or commercial ventures in general abroad in order to boost economic development or other dimensions of wellbeing.

I presume you are referring to venture philanthropy specifically. I think that it is one of many ways that foundations are experimenting with funding other organisations. They already provide loans and guarantees. They fund investments, take equity stakes and so on. I think that venture philanthropy is still very young and it still seems to be very domestically focused in terms of what it is that they are trying to do. For example, Bridges Ventures here in the UK is certainly innovating with respect to the funding of domestic issues like reducing recidivism at Peterborough Prison. They have invested in social impact bonds to do so. There may be a misalignment perhaps in the values or some of the objectives, but it is also a great source of innovation.

**Q27 Richard Harrington:** To use your example of the prison, the idea being to make money for the Portland Trust and hopefully to do good work as well, there is no income capability there, but most of these operations I can see overseas are basically low-overhead operations. They are effectively saying they are not going to have field offices and a whole network of the machinery of what they now think NGOs do, but are going to put it into a slick, new, ultra-modern virtual operation where basically they give the money on a semi-risk basis and leave it to them. Do you feel that could cause tension with normal fieldwork?

**Noshua Watson:** What you find is that approach you describe has not been very successful. If you compare what has happened with Google.org with, say, Acumen Fund, where they actually do engage closely with entrepreneurs on the ground, what you are describing is setting up the venture philanthropists themselves for failure.

**Q28 Richard Harrington:** Do you feel that the network of foundations can avoid some of the

criticism of original Government and multilateral operations, like the United Nations and many Government organisations, which are perceived as being very high-overhead and very bureaucratic, or do you just not think in those terms? It is perfectly legitimate not to.

**Sarah Lock:** We have never really thought in those terms but, yes, I would say that our running costs are much lower. We do not have huge amounts of bureaucracy and red tape. As we said before, it enables us to move much more quickly. Because of our size, I do not think we are ever going to need that kind of overhead. It is very different.

**Q29 Chair:** Dr Watson, on the Bellagio Initiative, which is pulling together foundations and evaluating them and, indeed, producing a map, can you briefly say, first of all, what the objective of this initiative is, how it is going to report and who it is trying to influence. Is it the foundations that are taking part? Is it public agencies? Is it the wider public?

**Noshua Watson:** The objective is to be able to make strategic recommendations to the philanthropic sector. However, we are trying to engage groups of people around the world, across social classes. We have had consultations with cattle herders in Kenya and with academics in London, but we are also trying to bring together people from Government, donor agencies, NGOs and foundations in order to look at the ecosystem. Philanthropy and foundations are one part of the international development ecosystem, and I think it would be unreasonable for us to make strategic recommendations without taking that into account.

**Q30 Chair:** That implies that you are looking to try to ensure that you fit in, in a comfortable way, rather than stand aside. You look at what the public agencies are doing and see how you can complement them and reinforce them in your own terms.

**Noshua Watson:** One of the main findings of the consultations we have had so far is the need for co-ordination. People feel that global governance has failed them with respect to climate change, food prices, mobility among countries and so on. People see the extent to which philanthropies within a global system of global governance can help generate co-ordination on these issues as the solution to some of these issues.

**Chair:** Thank you all very much for coming in. We have the opportunity with our second set of witnesses to talk to a couple of foundations and find out what they do. That might very well complement what you have said. If you have any reflections after this of anything you think we have missed or want to pick up, please feel free to get back in touch with us and pass on any additional thoughts. Thank you all very much indeed.

### Examination of Witnesses

*Witnesses:* **Sir Ian Wood**, Chairman, the Wood Family Trust, and **Peter McDermott**, Managing Director, Children's Investment Fund Foundation, gave evidence.

**Q31 Chair:** First, thank you very much for coming in to give evidence to the Committee. I wonder if I could just ask you to introduce yourselves for the record, and then we can cut to the chase.

**Sir Ian Wood:** Ian Wood. I guess in my normal life I am chairman of the company called John Wood plc involved in the oil and gas industry, but today I am chairman of the Wood Family Trust, which I will tell you a little bit more about shortly.

**Peter McDermott:** Morning, sir, and the Committee. Pete McDermott, managing director of the Children's Investment Fund Foundation, based here in London, sitting in for our CEO Jamie Cooper-Hohn who is travelling overseas.

**Q32 Chair:** Thank you very much. May I say, on a personal basis, Sir Ian, it is nice to see you in front of the Committee? You are a local not-quite constituent but near. What we are doing is looking at the role of what we are calling "private foundations", not purely in the American sense but foundations that are funded through private money and have their own objectives. We are trying to explore what they bring to development, how they work, how they interact with the public agencies, the issues that might arise, what scope there is for co-operation and also the advantage of keeping things separate as well. I wonder perhaps if you can tell us something about your foundations, so that the Committee has the context.

**Sir Ian Wood:** On this occasion, we are definitely the smaller player. I appreciate very much the opportunity. The Wood Family Trust Africa, in this case, is relatively new. It was set up in 2008. It has about £40 million of funds and is focused very much on sub-Saharan Africa. The funds effectively came from the Wood family share in, as I mentioned, a company called John Wood Group plc, which covers 50 countries and has 35,000 people around the world. I guess the motivation quite simply was, as an oil and gas business, we had significant benefit from the global opportunities. We had become a global company and we had pursued a number of opportunities in Africa. The family really believes we have a genuine responsibility for our fellow man. We felt Africa for a number of reasons, not just because we had worked there but, from our general knowledge, was an area in which we could make some impact.

We are probably a little bit unusual, in a number of ways, as a trust. I gave you an indication of our size. We have some further funds related to the UK, but the £40 million is related to Africa. Essentially, our focus is on economic activity and employment. Our headline is "making markets work for the poor". I guess we could be called venture philanthropists. We work directly for the private sector; we do not give grants to NGOs. We are very business-orientated in our approach. We are very implementation-orientated in our approach. We have pretty strong views and an awful lot of work is done by very gifted consultants

in analysing all kinds of things, but a lot of it is left hanging in air; there is not enough ability to implement. We have a very strong team on the ground and I think we are good at implementing.

I guess what differentiates us is high-quality people. They are on the ground. We can do things quickly; we are flexible, which is essential in the environment we are working in. So many unexpected issues can arise as you are implementing and developing projects. There are so many different interests that you have to understand and take account of, so we believe flexibility is very important. We very much do things the local cultural way. We recognise we will only help to effect change by working with the local private sector. We are strong with implementation and we work in partnership with others. We have two significant projects. We have tried very hard to ensure that we understand what other donors are doing in that area. We have actually partnered with another major donor to do it.

The two projects we have will be about \$18 million over five years—Tanzania and Rwanda. Both are focused on the tea industry, which we chose because it has a lot of potential in both countries. It is way behind in a whole range of ways. Our prime focus is the smallholder farmer, who we believe is absolutely at the bottom of the economic pile in the industry, where the primary producer in fact should be in a much more important position. Our focus is very much on trying to support them, and what I want to get across is that we are at the coal face. In terms of talking about the relationship with DFID, we are very much an implementer at the coal face. We are dealing with smallholder farmers who have no education; they have no commercial knowledge or ability to negotiate. They are very short-term in their thinking. Farming is a way of life, not a business, so they do not have a business approach to what they do. We try to work with them and the other players in the industry, including, in both countries, the industry associations and, to some extent, the Government to do a whole range of very basic things.

In Tanzania, we have been going for about two years. There are some signs of success. We are looking to significantly improve yields and significantly improve the quality of smallholder associations—the representative bodies that are meant to look after the smallholders—I try to choose my words carefully. We have made some real progress on market-based pricing and trying to get the smallholder farmer a fairer share of what is happening. Hopefully in Rwanda, we may get into a position where we can achieve the smallholder having some serious investment in the factories. The key thing is the other major players in the factory: when I say they operate monopolies they do not do it intentionally but they are monopolies.

There is one factory that covers a large region, so the smallholder farmers are very dependent on that one factory and their relationship with it. That part of the

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private sector, which is sophisticated and knows what it is doing generally consists of good people, but they have to be encouraged to do what they can to help the smallholder. Working down with the smallholder, using our knowledge and business expertise, I feel will make a difference in these areas. The prime interest is to at least double the income of smallholder farmers who are below the breadline over the next two or three years.

**Q33 Chair:** Thank you for that. A number of us had the benefit of a presentation from Jo Mackie when we were in Aberdeen, which we thought was quite inspirational and very practical.

**Sir Ian Wood:** She did it much more eloquently than I have done it.

**Q34 Chair:** No, not at all; thank you very much for that. Peter McDermott.

**Peter McDermott:** Thank you, sir. If I may, I will maybe just categorise this with a little bit of background and a couple of the core principles and then primary areas of focus. That might be a way to structure this. The Children's Investment Fund Foundation is a unique model, as you know from the written presentation. We are linked to a hedge fund and the funds accrue to the Foundation intentionally. You do not get many hedge funds called the Children's Investment Fund, but it was a vehicle that provides additional funding to development from a non-taxpayer source. That was the intent.

The mission is very clear: demonstrable impact for children living in poverty with key principles of scale, sustainability and impact. Our asset base, as you probably know, has grown significantly and this has resulted in CIFF also changing quite significantly. In 2004, when it was set up, the aspiration was to have a cash endowment of around £10 million. As of this year, markets apart this week, we are about £1.7 billion, about \$3 billion. That has resulted in a number of strategic shifts. When I joined the foundation as a managing director three and a half years ago there were three staff; we are currently about 40. We were working in a limited number of countries in Africa and a couple of states in India. We are now much more expansive globally. Also, we have gone from really what would have been regarded as an NGO support project foundation to a programme of co-operation, which is much more based on working with national Governments at scale in their countries, aligned to their country programmes.

We have been through a series of significant strategy shifts over the last four or five years. Originally, we had the very traditional sector approach to health, education, water sanitation, etc. We have now, at the real direction and push of our board, been focusing more and more on what is the evidence for children, what do we know that works and what are the high-burden areas where children are affected to try to focus CIFF's interventions. Initially, after a period of about a year of research and discussion with our board and peer advisory groups, CIFF's board asked us to focus on seven areas related to children, but also stipulated that, until CIFF had more experience of working on the ground with Governments, it would

like us to focus on only three of those in the first instance: child survival, education attainment, and nutrition and hunger alleviation. They are the guiding priority impact areas for us currently.

It is not sufficient to focus from 35 areas to seven, and then to three, so the board has asked us within those three areas—child survival, nutrition and education—to select a certain number of what we would call internally, rather crudely, “super-priority areas”. That is some of the unfinished business around PMTCT paediatrics, which has been an early area for the Children's Investment Fund to focus on. As you know, there has been a significant and dramatic decrease in child mortality and under-five mortality over the last decade, but in neonatal mortality—the first week and the first 28 days—we have seen very limited reduction, so we are focusing very specifically there.

On education, we are looking less at increasing access to education, where we think again there has been tremendous global progress, notwithstanding some rather major inequalities, to looking much more at children learning and whether children are fit for purpose for learning. We are looking at the years from three to six, and the pre-primary and primary areas for learning. We are looking specifically at the moment—having just signed a major co-operation agreement with the Government of Kenya—around de-worming and not just routine de-worming, but to see if we can drive down soil-transmitted helminths to a control level that then can be affordable for long-term maintenance. The last area of focus, which is currently one of our greatest preoccupations, is to see if we can work to alleviate the large amount of childhood severe acute malnutrition, which is killing millions of children unnecessarily in this day and age. If I may leave it there, sir, I am happy to elaborate.

**Chair:** What we would be interested to explore is something of the engagement or otherwise with DFID.

**Q35 Mr McCann:** Thanks, Chair. Can I perhaps direct my first question to Mr McDermott, because CIFF's written submission said that DFID had helped guide your strategies and has provided technical support? I was wondering if you could just give us some practical examples of how that has worked.

**Peter McDermott:** Yes, I am happy to. Over the years, we have worked with DFID primarily at two levels: here in London at the strategic and technical thought level; and then more specifically at country level. We have had a lot of conversations with DFID, from the current and previous Secretaries of State to Permanent Secretaries and senior management team. At the technical level in our areas—child survival, nutrition and the private sector group in particular—we have had a lot of discussions. A couple of weeks ago, the incoming Permanent Secretary spent a morning at CIFF presenting to staff and further exploring how we can co-operate or collaborate together. There is that generic issue. More specifically, as CIFF has developed its understanding of the priority areas where we work, many of the DFID staff have been technical review and peer review people for our strategies, and have provided a lot of good technical input into those areas.

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At country level, I can give probably three case examples, if that is appropriate, of very specific issues. I think the work in Zimbabwe has been exemplary. It is clear to us that, if it were not for DFID, the Children's Investment Fund would not have made the recent \$50 million investment in Zimbabwe. They provided us both with the political know-how and political understanding of working in a very different and complex situation and, secondly on a technical level, really the CIFF investment, although the entry point is mother-to-child transmission, is really a health-system strengthening, looking at training, supplies, management, systems and processes of keeping a health sector that had really fallen apart going. If it were not for the prior investments of DFID and USAID, CIFF would not have been able to navigate that very political situation. We have aligned our planning cycles. We share information on how we are doing. It is a very good example of collaboration, and I would like to go on record as saying how important that has been for CIFF.

In India similarly—I have just come back from a week in India—we have had a number of discussions with DFID. We collaborate very closely in one of the poorest states where DFID has a focus area, and CIFF's intervention there, along with the Gates, is in the treatment of childhood diarrhoea, which is one of the main killers in that state.

**Q36 Mr McCann:** Which state is that?

**Peter McDermott:** Bihar.

**Mr McCann:** We visited it earlier in the year.

**Peter McDermott:** In Bihar, we based the programme out of Patna. We have just undertaken, while I was in India last week, the annual review for that programme in our first year of operation. The Gates Foundation is working on the private sector for diarrhoea. CIFF is supporting the Government of Bihar in the public sector and, again, DFID has provided a real chapeau around the health-services strengthening in that state, so there is a good alignment.

The third area where we have had a very good recent relationship with DFID is in our work with the Government of Ghana, where we have started a randomised control trial to improve educational outcomes for children in Ghana. Again, DFID's longstanding support for the education sector in Ghana has helped us to navigate entry into that country. There are a number of other countries I could happily give evidence of, but they are the ones that are most pertinent.

**Q37 Mr McCann:** Can I ask both organisations, perhaps starting with Sir Ian, about some of the practical relationships with DFID? For example, do you have a main contact either in the London office or indeed in the East Kilbride office, which is dear to me because it is in the heart of my constituency? Is there any way that the relationship could improve? For example, would it benefit from having a larger team allocated to dealing with your organisations? Would it be better if there were special events for foundations? Importantly, is there anything that DFID could learn from your organisations that you believe

could help them in terms of the general development work that they do?

**Sir Ian Wood:** I think we are very different from CIFF in a range of ways, in terms of our potential to work closely with DFID. It is fair to say two things upfront. DFID is generally recognised as one of the better, if not one of the best, bilateral organisations—that is just generally from listening and hearing. Our experience would tend to back that up, but we do not do a lot with DFID. For example, in both our countries, Tanzania and Rwanda, we have contact with DFID. They know that we are there; they know what we are trying to do. Frankly, there is not much they can do to help us.

I guess if we have any frustration, we see DFID as a very strong funding company. They do not have a lot of people in terms of the programme that they are trying to implement. They have a lot of partners and subcontractors. We have had preliminary discussions in one or two areas of trying to work with them, because we are very complementary. We are a coal-face implementer and they are the effective Government funding body that disburses funds for a whole range of things. They work at a very much higher level—they are at the Government influential level—and that is very important; we recognise that role.

We have had the discussion about whether we can do things together, and I outlined earlier what our differentiation is. I would never say we are going to be successful. So many different things can go wrong in terms of the projects we are working on, but I think we are having some reasonable success up to this stage. I think it is based on our differentiation, on our ability to move quickly, make decisions quickly and all the things I outlined. Frankly, we could not marry that into the kind of structure that DFID works with, in terms of trying to say this is a project; we all agree it is a good project; we should try to do this project; it fits our bill, which is employment and making markets work for the poor. When we tried to say, "Can we actually do that? It is your Challenge Fund programme", we just felt we could not operate.

**Q38 Mr McCann:** We are aware that, for example in India, DFID is putting far more money into private pro-poor initiatives, seeking to build up the private sector, which ties in with what you have explained your organisation does in relation to Tanzania and other areas. Is there any potential tie-up for that in future or do you still think it will be separate?

**Sir Ian Wood:** I do not believe the door should in any way be closed. We have a good relationship. Jo Mackie, who is behind me, has got fairly constant contact with DFID. At this stage, we have accepted the understandable regulations, restrictions and constraints that they work under as a Government body, and with all the issues on the politics and other issues, the only way we could work is if we agreed this is the project, this is the outcome, this is the way we are going to do it, so that is it. We will provide X funding and they will provide X funding and they simply let us get on with it. We have not been able to get that model.

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**Q39 Chair:** Is that not precisely what Mr McCann is trying to get at? Your own business, your background, is as an experienced businessman in an experienced business organisation with a pro-business attitude, which is not actually very strongly built into the DFID culture. If they are going to put more money into private sector development, is it not precisely your kind of organisation that they need to partner?

**Sir Ian Wood:** We would love to see that if we could find a way to meet your requirements that Parliament sets understandably for DFID, and also at the same time does not over-constrain. One reason we have been successful is we can change and do things very quickly. That is just a fact. There are so many unexpected things that go wrong, way beyond what you expect in business in a number of other places in the world. There are so many diverse interests. We have a very high-quality team. It is not me, Malcolm; we have some very good people on the ground and they have got the ability to change very quickly. We can provide that part of the equation if you, working with DFID, can give us a position with which we can have the proper kind of legal, properly regulated relationship that in fact does not constrain us doing what we are good at doing.

**Q40 Pauline Latham:** You are saying they are too stifling, because they have to be so accountable, so they cannot let you just get on with it.

**Sir Ian Wood:** Exactly, yes. DFID has got some very good people. I have met three or four and there are some very good people at DFID, but they are not set up to be an implementer. They are largely a funder working with a number of other people. It would be a very good marriage if we could find a formula, not just to work with us, but to work with a number of other similar organisations with our implementation strength.

**Q41 Chair:** That is precisely what we are trying to get at.

**Peter McDermott:** If I may just elaborate on that, I do think it is about defining what the additional value-add is for both groups: the generic co-ordination, consultation, collaboration. At CIFF, we have a very small staff. Most of it is focused on governments and country programmes. If we are to divert a lot of attention to consultation here in London, DFID really needs to demonstrate the additionality that it can move things. That is one thing. Secondly, there is an element of being typecast. A lot of our discussions in DFID at the central level are with the private sector. We try, as a children's investment fund, to marry the best of business to the best development. We think that there is something unique in that mix of skills that can give us better value for money and results, but I also think that we should not try to force or forge unnecessary consultation or collaboration where it really is not proven.

DFID has been very gracious to CIFF. We are young and somewhat unknown. People probably do not understand the depth of the technical competence that we have built up, but we have been invited to participate in some of the GAVI work that DFID has

undertaken. Some of CIFF's staff have been involved in the bilateral reviews and we really welcome those opportunities to learn. We have a very progressive relationship with the India country team, where we are looking very specifically at what we can learn from each other's methods and modalities of working in India. Can we borrow from DFID? DFID is quite openly saying, "Can we borrow from some of CIFF's experience there?" I also think we are probably not yet maximising the synergies between the two organisations. That is an aspiration on both our parts, but what precisely that is we are still struggling to define.

**Q42 Anas Sarwar:** I was trying to follow on the point you made about how DFID has forged quite a good relationship with you, even though it is quite a young organisation. How easy did you find it as an organisation to find a route into DFID, and what more could DFID be doing to identify organisations where they are just starting up or are young to build relationships with?

**Peter McDermott:** Part of that question is that DFID itself is not a homogenous entity, either at country level or here in London, so it is about navigating what part. We work from the Secretary of State/PS level down, and say, "Where you would like us to fit into the organisation?" We found it much more successful working at country level and working backwards. We have just had a four-person team from the Children's Investment Fund in northern Nigeria, building on a DFID-led nutrition programme there and then back-stopping that to London.

Navigating DFID has been difficult, especially given the changes DFID itself has gone through in the last couple of years: major reorganisation, major bilateral and multilateral review, major downsizing in staff. Their own internal capacity, given those internal management reorganisations, to engage externally has been a little compromised. The lack of staff on some of the areas now is beginning to show. As we move forward, with Mark Lowcock coming in last week, we are trying to navigate both a strategic relationship and a programmatic relationship. Unfortunately, it is a little too early to tell any more detail on that.

**Q43 Anas Sarwar:** From your response, Mr McDermott, it is clear that you have the skills in the organisation to identify the people you need to engage with, whether it is in-country or the more centralised organisation of DFID. For those organisations that do not have that expertise, do you think it would be quite hard to find that route into DFID and build that relationship?

**Peter McDermott:** I may not be the best person to comment on that, but I think that DFID has a longstanding partnership outreach programme. From my previous experience in the UN and running NGOs here in the UK, DFID has very sophisticated partnership modalities with NGOs and partners. I think it is probably with the newer beasts like the private foundations that it is a little bit more challenging than for some of the traditional members.

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**Q44 Chris White:** Mr McDermott, you have described very well a very lean organisation. You have articulated in your last couple of answers that you do not like meetings for meetings' sake.

**Peter McDermott:** Apart from this one.

**Chris White:** I applaud your views on that, but again a meeting for a meeting's sake would be about transparency and how transparent both your organisations are. Would you give me your views on that?

**Peter McDermott:** That is actually a very pertinent and appropriate question for foundations, as was some of the discussion in the earlier session. From the Children's Investment Fund, a couple of points: one is we meet the Charity Commission regularly, even at our request, not just at their request, to seek their guidance. We do file all of our projects with the Charity Commission at Companies House, and we really do believe in full transparency. We also issue an annual report, where every project or funding for those projects is outlined. The board, as we move forward, is pushing us to be even more transparent. As we begin to develop a body of programmes, and as we come to closure and see the results of those programmes—what we have learned, what has succeeded, where we have failed, and we have failed in a number of areas—what we have learned will go up on the website in a more expeditious manner. The issue of transparency and accountability is a germane issue for foundations like ourselves, and we welcome the engagement of the Charity Commission and many of our peers in this area to learn what more we can do in that area.

**Sir Ian Wood:** It is really difficult to add a lot more, because we do not have a lot of a relationship with DFID. Our relationship as such is in-country. I do not think we have a significant relationship with London. We have had some contact, but I think it has been quite sporadic. It is very much in-country. There is open communication; I do not think we ever feel that DFID is holding back from telling us things. Communication, contacts and relationships are important, and DFID has got a lot of these in-country. That may be part of the answer to the question of helping new people. A key thing is a new person going to any of the main countries should go to DFID as one of the first contacts. DFID generally we have found very open, very helpful and very keen to give guidance. Then there is the whole issue of the Government relationship, which is extremely challenging in different countries. Again, there is benefit there. Those are the kinds of benefits we have had from them.

**Q45 Chris White:** Just a couple more issues: are you both aware of the International Aid Transparency Initiative?

**Peter McDermott:** We are aware of it, yes. We are looking at that and also some of the issues around the OECD, which came up earlier, and also the Paris Declaration and what is good donor practice and how much of that does, and does not, apply to foundations. As we develop our portfolio and as we grow slightly more mature as a foundation—we are so young—clearly those are initiatives that we would like to try

to make sure that we subscribe to. The second point on this is: who primarily, going forward, does CIFF itself hold itself accountable to? We have our board of trustees, the advisory panels we set up for our programmatic areas and peer review mechanisms, but ultimately we have just come back from a week in, Nigeria, a week in Ethiopia and a week in India. It is with the Ministries of Health or of Education, the Governments of those countries and the sector plans that we are seeking to align ourselves with that we feel are our primary areas of focus for accountability, because ultimately our assistance is to help Governments help children in their countries.

**Q46 Chris White:** Thank you for that answer. Finally, any further advice to DFID in terms of how they could help organisations such as yours improve transparency and accountability?

**Sir Ian Wood:** I think "advice" is probably the wrong word. In terms of looking to develop their strategy, there would be real benefits and both sides would be as transparent as necessary, in trying to link into implementing organisations. Our headline surprise comment on getting involved in Africa was how many projects failed after a fair bit of money has been spent on them. When you look into it, there is a massive amount of analysis and investigation. There are books this high produced by consultants. If you can even begin to wade through 10% of it, all the answers are probably there somewhere, but no one has done anything about it. I think what is missing in terms of what we are trying to do, which is to create employment and help people to help themselves, is implementation.

**Peter McDermott:** Let me just echo that. The greatest challenge is accountability for results, not accountability for process.

**Q47 Jeremy Lefroy:** Precisely: how do you in your organisations measure results? How do you evaluate what you are doing?

**Peter McDermott:** You probably know; our reputation may precede us. We are singularly fixated on data and measurement. It is one of the business practices that we like to bring to development. We think that there has been too little accountability for results and, in fact, we think there has been too little design for results. As a pithy statement, we do not accept that passion and activity equals impact. For us if we were running, as many of our board members are, multinational financial institutions, data is everything. If you cannot measure it, it does not count basically. We start from the premise of what is a very clear definition of success and then work backwards.

We have two or three tools for that. One is what we call a logical framework or critical path, but what are the four or five barriers that we need to overcome to make the difference? Secondly, do we have an understanding of what the cost structures are according to different scenarios to get there, because context is all in many of these countries? The third point is: do we have the data to make intelligent decisions, both to continue the project but also, somewhat surprisingly in this business, to close projects down if we do not think they are on track to



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make an impact? We spend about 5% to 10% of our programme on monitoring and evaluation. We have a very sophisticated what we call “fit-for-purpose measurement framework”, depending on whether we are trying to design a proof of concept, which may mean something as advanced as a randomised control trial or proof of feasibility. Can you take an intervention and scale it up without a dilution effect? We take data measurement and evaluation. Most of our bigger programmes are third-party evaluated.

**Sir Ian Wood:** One of the key parts of venture philanthropy is very much measurement and evaluation. One of the things that naturally attracted me and some of my colleagues is that, effectively, we are working now with businesses where we can measure. Our key programmes’ yields and productivity, we can measure them monthly in terms of the smallholder farmer. The smallholder associations and the performance of the smallholder tea associations have a whole range of different measures that have been instituted there. Again, we get feedback on that. Market-based pricing—I am not going to say it too loudly—has been a real success in Tanzania with a fairly significant increase in a formula market-base pricing, which has resulted in X amount of increased income to the smallholder farmers immediately. Then we have a programme of innovation grants, where we largely give the grant to the factory owner, but again they are based on the factory owner doing a whole lot of things for the smallholder farmer. Again, we can measure that. Frankly, it is one of the most satisfying things among a lot of very challenging things we are now doing: we have a very good handle on measurement.

**Q48 Chair:** Do you have an endgame, in the sense that, at some point or other, you will say, “We have added value. We have improved their practices. We have got the relationships right. We can now move on”? Can you do it knowing that you have left something behind that will continue to function after you have left?

**Sir Ian Wood:** I really hope that is what will happen. I am very reserved talking about things going well, because I have just seen so many other unexpected things happen. Absolutely, we are much further ahead in Tanzania though we are still at an early stage. We have a six-year programme. We are working with Gatsby and Sainsbury, who are very good partners to work with. That programme has a six-year life. We have set a whole bunch of objectives at the end of those six years as to what we feel we should achieve, what is reasonable to achieve. At that stage, the natural thing would be to have a smallholder farmer population—there are 30,000 in Tanzania and also 30,000 in Rwanda, which by the way is about 100,000 people in terms of dependents—in a significantly better measurable position in terms of their annual income to be better farmers and actually see farming as a business as opposed to a way of life, and look after themselves and their family. The answer is absolutely yes; we hope to be able to do that.

There is a little chink of positive light appearing in one area, where it may be that we can significantly enhance smallholder ownership in a factory. That

would be an important step. That opens a bit of a new door that might prolong the programme a bit, if we can begin to move down that road. Yes, we absolutely have a timetable on that.

**Peter McDermott:** If I may just elaborate and give an example, a slightly different one: in the early days of our HIV/AIDS work, one of the biggest concerns for the Children’s Investment Fund was that fewer than 10,000 children of the well over 2.5 million who were infected were on antiretroviral treatment. For many years, the Children’s Investment Fund Foundation was the largest donor to the Clinton Health Access Initiative or CHAI. When we started on paediatric HIV/AIDS, it cost \$1,500 per child per year for treatment. Looking at markets, looking at the active ingredients, going to India, China, doing some re-engineering, getting the generic drug markets moving on this with UNITAID and the Clinton Foundation, the current cost per child is less than \$50. We transformed aid effectiveness in terms of reducing costs.

Two other barriers have now come into play around the drugs. One is how you prevent children getting AIDS in the first place. As Pauline knows from much of her work on this, we have the technology, the drugs and the programmatic know-how to reduce infections quite considerably, but for many years we have been using the wrong drug. We are now moving on that. The second barrier is that we had no point-of-care diagnostic. You had to take the blood of the child, send it to the capital city. The results may or may not come back. You have lost the child. We have just invested in Dr Lee’s outfit up in the University of Cambridge to try to bring to market a new technology so that, at the health centre, we would be able to do a test for children with HIV/AIDS within an hour and a half, therefore cutting out the transportation, cutting out the wasted time. That innovation—looking at markets and trying to bring them to work for children—to exemplify and elaborate on what Sir Ian said, are some of the areas where foundations have specific innovative niches and the flexibility of funding that many of the traditional partners perhaps do not have.

**Q49 Jeremy Lefroy:** Sir Ian, if I may just take up something from your answer, I am absolutely delighted that your foundation is concentrating on smallholder agriculture, which DFID is beginning to realise is extremely important. My first question, as a follow-up, was to ask whether you were thinking about perhaps, given DFID’s interest in this area, working more closely with them or at least advising them of your results and experience in this particular area, because I think it could be extremely helpful for them. Secondly, does your evaluation so far lead you to believe that, in future, you could perhaps have a wider involvement in the smallholder agriculture sector? I am particularly thinking that, to date, such involvement across the board has tended to be more in cash crops, less in food crops or more mixed agricultural environments. A number of us feel that this is such an important area and that it needs specialised work, such as the work that you are doing, but wider than just in cash crops.

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**Ian Wood:** I am frankly not sure when our last substantial discussion was with DFID. We were aware of the growing interest in smallholder agriculture and we will pick it up pretty urgently and make sure we have it right. A lot of the contact takes place in-country, in Tanzania, Rwanda and also in Kenya, where we have quite a strong presence. We will absolutely pick that up. What we have aimed to do is start one new project per annum.

We have two projects in the tea industry. We are just now beginning to think about a third project. Not just because you say that is what you wanted, but we are very much focused on developing the food sector, both what is called the food crop and the cash crop. The food crop is what the family eats and the cash crop is where they can actually get some money and put their children in school. There is a lot of potential. What we have found in the smallholder farmer varies between countries; some countries are quite different, and the smallholder farmers are very well organised. Kenya is the best example. They are a real exemplar in terms of the way that smallholder farmers have got a real stake in the industry. In other countries, what we found in tea also exists in a whole range of other industries: that the smallholder farmer generally is at the bottom of the pile.

**Q50 Jeremy Lefroy:** Just one final thing: it is quite clear that water is a major problem for smallholder farmers. A lot of the larger farmers are now moving towards techniques such as drip irrigation. I have seen that. I wondered if you have been looking at that, because it often seems that there are systems that are quite suitable for smallholder farmers but they do not have access to them, whether because of finance or simply because the technology is not available locally.

**Ian Wood:** Rather than directly investing in the infrastructure, part of our innovation programme for factories is to try to encourage them to make investment, with us putting in normally at least 50% of the funds required. Frankly, they can exercise much better judgment as to where there may be water issues and problems. We would prefer in that case to work with them. That is just one of many problems that need to be tackled. One of the big decisions we made early on was that we could not begin to try to put a whole bunch of people in to try to help, so we are using the factories that are on the spot. We are very knowledgeable, very sophisticated and also using the farming associations, although there is a lot of work to be done with the farming associations.

**Q51 Pauline Latham:** I was just going to come back on HIV/AIDS. Jeremy and I went with SABMiller to look at how they deal with HIV/AIDS. They start with their own factory, and they look after all the people who work there and provide the drugs free. Then they go out to the whole families, but they also go out to the sex workers in the bars; they go out to their farmers and provide the drugs for them as well, and even offer the drivers testing and try to get them on board. They are working from their own factory and moving out, which, with the cost of the drugs that you have now managed to get, seems a very efficient way. I was just wondering if your tea factory could perhaps

operate with the farmers that you are working with, Sir Ian—all of those people. If you have a healthy workforce, you get a better product because they are not off sick all the time. It seems that the factory, in the case of SABMiller, is the conduit through which it goes. They facilitate it and they spend a lot of their own money on it, which is a really good way for an organisation that is making money putting something back into their workforce. I wondered if the two of you could work together, because one is interested in HIV/AIDS and you have access to factories. You could combine the two to look at how those tea farmers in Tanzania and Rwanda could perhaps benefit from those resources that are available, at a much reduced cost.

**Ian Wood:** It is something we will discuss. What I have found very encouraging is the level of networking and communication between UK donors. For example, we have met the CIFF principals two or three different times and had some very helpful discussion with them and a lot of very helpful advice from them. Generally, it is good and strong. I have yet to find anyone we have made contact with in the UK, as a UK donor, to say, “Look, can you give us some help and advice on this?” who has not gladly said, “Yes, of course we will do that.” Of course, we are now trying to reciprocate that, so we will pick up on that.

**Q52 Pauline Latham:** Is that something you think DFID could facilitate, by bringing people together for things, or do you think it is something that you just do because you meet people at different events?

**Ian Wood:** I think it is happening. Significantly, where it makes sense to happen, it is happening. People are very pleased to talk to each other, learn from each other and help each other. We all have the same objective. There is no difference in that at all.

**Q53 Mr McCann:** The final question that I have is on high-profile advocates. We all know that Bob Geldof and Bono will heighten the profile of issues, and they will also perhaps get younger people involved in campaigns. The other side will be the irritation factor of a multi-millionaire musician lecturing us that we should all be giving more money to causes around the globe. I just wonder what contribution you think high-profile advocates make. Leaving aside the whole celebrity side of it, if you have someone like the philanthropist Bill Gates, who was very much behind the GAVI initiative and the enormous sums of money that DFID put into that project—close to £1 billion each time—I wonder in terms of his involvement and high-profile role, did that have a positive influence? Was that the right decision; did perhaps the fact that he was a celebrity and high-profile allow him to give the GAVI initiative a higher profile and, in turn, it received more money? Is that a good or a bad thing? That was a big round ball of a question there, but I pass it over to you.

**Ian Wood:** I have very clear views on that. There are undoubtedly risks in getting high-profile personalities involved in these kinds of projects. A number of high-profile personalities are extraordinarily gifted and good at what they do, but they are highly

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individualistic. I actually think that is vastly outweighed, particularly with young people, by the impact of personalities. I was doing something recently and Alex Ferguson got involved. It all changed. It is just amazing how for young people in particular good, well-known personalities have a huge impact.

In terms of awareness, part of our UK programme is trying to get young people in the UK to better understand what is happening in countries like Africa, because that must be part of the future solution as well: to have a lot better appreciation of what is happening. I know they see it on TV, but it somehow does not work. It is actually giving some of them a better understanding. It just takes a Bob Geldof or whoever the equivalent is in modern times to show a real interest. It is worth 10,000 times what Ian Wood could do standing up and making a speech somewhere. From that point of view, in terms of communication, trying to marshal public opinion, trying to get people, particularly young people, thinking about this as our problem—not “it is somebody else’s problem” but “we have to help in this problem”—we have to try to guide and make the best of that. Bill Gates, frankly not just the money he’s given but his and his wife’s association, has been immensely valuable.

**Peter McDermott:** Let me echo that. Without a doubt, the Gates Foundation and Bill and Melinda themselves have led the resurgence on global health and vaccination, which has to be one of the most dramatic cost-effective interventions for children globally, and not just with the existing vaccines but bringing new vaccines for pneumonia and diarrhoea to the market. Clearly there are concerns about how they fit into—I think the word this morning was—the ecosystem of development and the context.

From a CIFF perspective, I think there are two issues. One is we do not fundraise, and so we have no public profile. We intentionally do not have a communication unit. We try to keep below the radar. Our work is to support Governments and others to support their children, so we have a very different perspective. Having said that, whether you are trying to generate political will, to get global policy change, to increase funding and support for development, or to mobilise civil society to hold Governments accountable for how they use money, there are many reasons why you can use someone who is high-profile. Within CIFF, we do try to use advocacy as a tool, but we are actually

investing quite a lot of thought time and funding at the moment in how you measure advocacy and how you know that all the noise, all the celebrity, all the media and all the mobilisation are actually giving you the results that you need for your programmes. We are taking a slightly different slant on that, but let me just say that we welcome the role of Gates and others who are responsible and appropriate in the market.

**Q54 Chair:** Doesn’t the existence of private foundations and the advocacy of celebrities give some kind of counterbalance to the critics of aid and development assistance? The fact that you, Sir Ian, as a very successful businessman, want to do this and want to use your business expertise to make it work gives some kind of, if I can put it this way, economic respectability to aid, which some people just think is handouts. You are actually demonstrating that it is something different.

**Ian Wood:** I honestly have not thought of it from that point of view. I just think I have been part of a very lucky generation—you have heard me say this before, Malcolm—in North Sea oil, and I have seen what is happening around the world. Goodness me, we are all lucky enough to live on one planet for a short period of time. We should do anything we can to try to help what happens elsewhere on the planet. That is where I come from.

**Chair:** I could not ask for a more straightforward answer than that. Thank you, both of you, for coming in. You will appreciate that this was our first evidence session, in two parts, and we are exploring the role of private foundations and how they might complement DFID’s work. What I would say to you is that, if either of you, reflecting on what you have seen and heard, have anything you want to add—particularly perhaps on the relationship with DFID, because clearly that is of interest to us—we would be very happy to hear from you. We have taken on board the fact that there is scope for partnership, but you need freedom and flexibility, and they need accountability. What we may be looking for is how we can bridge that gap to get the money and expertise that DFID has working in a way that can achieve what you want, without getting in the way of your ability to do it in a flexible way. I do not know if we can give an answer to that. I think we have to explore, but thank you both very much. For me, and I hope for other members of the Committee, that was a really useful and interesting session.

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**Tuesday 8 November 2011**

Members present

Malcolm Bruce (Chair)

Hugh Bayley  
Mr Sam Gyimah  
Pauline Latham

Jeremy Lefroy  
Mr Michael McCann  
Chris White

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**Examination of Witnesses**

*Witnesses:* **Jeff Raikes**, Chief Executive, and **Laurie Lee**, Deputy Director, The Bill and Melinda Gates Foundation, gave evidence.

**Q55 Chair:** Thank you, good morning and welcome. First of all, just for the record, will you introduce yourselves? Then we will get into the main business.

**Jeff Raikes:** Thank you very much. My name is Jeff Raikes; I am the Chief Executive Officer of the Bill and Melinda Gates Foundation.

**Laurie Lee:** I am Laurie Lee, Deputy Director of our European office, here in London.

**Q56 Chair:** Welcome and thank you. You will appreciate that we are looking into the role of private foundations and how they interact with donors and other providers of aid, development assistance and so forth. Obviously, the Bill and Melinda Gates Foundation is on a scale of its own, which makes it a major player. In that context, the Committee had the pleasure of meeting Bill Gates about a year ago and had a useful exchange of views with him. He was passing through here on his way to Cannes last week. One or two Committee members attended his session there. But in the context of Cannes, he gave his report to the G20 Summit. What is the role and relevance of a major private development foundation such as that in the context of global development policy and influencing world leaders? Perhaps you will also tell us what, specifically, Bill Gates was telling them. What recommendations did he make? Given that we are all facing a pretty major crisis, what was the response?

**Jeff Raikes:** Bill Gates was certainly honoured to have been invited by President Sarkozy to submit a report to the G20 leaders that would help develop the thinking regarding the importance and role of aid, official development assistance, as well as innovative approaches that could encourage the appropriate funding of that aid. So Bill took the request as a very important responsibility. He assembled many members of our team as well as others outside the foundation to think through what the important elements of official development assistance were and how they could be funded.

I will just make two quick points, and then I will be glad to answer further questions regarding his report. The first thing that Bill emphasised was the importance of us all understanding the positive impact of official development assistance, whether it is children's lives saved through the miracle or magic of vaccines, or improved food security through better agricultural techniques. I think that, sometimes, with all the issues we are facing we lose sight of the important impact of these investments.

The second thing that Bill did in the report was to suggest certain creative ways that Government leaders could look at to be able to continue the important role of aid. He emphasised the importance of innovation—investing in innovation—and the importance of recipient countries using their own resources in conjunction with official assistance to improve their results and to have the desired impact. He looked at other important impacts, like the Solidarity Tobacco Contribution, an effective taxation programme that has significantly reduced the use of tobacco and increased the potential of human health. He really took on those two key issues: the role and positive impact of official development assistance and the various ways that they continue to be funded.

You also asked about why it is Bill and about the appropriate role. As you know, given your direct contact with him and our foundation, we put a lot of intellectual energy into these issues. I think Bill was called upon because they felt that he could provide great insights from his experience and the experience of the work of our foundation.

**Q57 Chair:** I am sure that my colleagues will want to follow these questions up in more detail, so the only thing I would say is that, from what you have said, his approach was entirely one of complementarity: in other words, there is a role for aid and development and for foundations, and the essence is how you partner them. In the present climate, one might worry that some donors would say that it is great to have Bill and Melinda Gates and great to have Warren Buffett topping it all up, so that lets us off the hook or takes the pressure off. There may be great virtue in quality, but not in volume if private foundations simply take up what Governments do not want to do. Am I right to say there was a very definitive approach that said, “We’re doing what we’re doing, you must do what you’re doing, and the two need to be of importance”?

**Jeff Raikes:** Yes, I think that is largely correct, Chair. It is important to understand that foundations play a very diverse role—foundations are very different—and it is unique compared with what the public and private sectors do. That certainly is a strong part of our vision for the Gates Foundation. We have a role to focus on innovation, both in the upstream and the downstream, and if we can take appropriate risks and prove interventions that can really make a difference, and show the private and/or public sector the evidence, then you can then lead to a sustainable,

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scalable impact through scaling up by the public and/or private sector.

We see a unique role and a three-legged stool for what we call catalytic philanthropy. It would be a mistake to believe that the way to handle these challenging times is to expect philanthropy to fill in the gap. In fact, philanthropy is generally a small percentage of the overall need. For example, the Gates Foundation would spend about \$600 million annually on US education, but the US budget for that is \$600 billion, so we are 0.1%. The only way that we can have a positive impact is if we think in a catalytic way and understand what our unique attributes are in being able to think to the long term and take the appropriate risks, learn from any mistakes or things that do not work well and share that learning, so that we can stimulate the field to better ideas that will make a longer-term impact.

**Q58 Chair:** Perhaps you can risk mistakes that the public sector would find difficult to explain.

**Jeff Raikes:** Well, in a sense that is part of our role. Let me give you an example, building on the model of the three-legged stool. We are big believers in the private sector. We think that the mechanism of capitalism, and the potential for profit, encourages private sector participants to take risk to produce better goods and services for society, and we think that has been a great attribute of the development of the world in the last few hundred years. On the other hand, if there is not a market opportunity, or what you might think of as a market failure, the private sector is not inclined to invest. So you have to keep that in mind.

The public sector also produces goods and services that raise quality of life, but it has a unique role relative to the private sector and is less likely to take risk, because after all it is your tax dollars. We see the role of catalytic philanthropy as filling in that gap: to identify those areas of market failure that the private sector would not naturally invest in and to take the risk—the social risk—that the public sector might not naturally invest in. Then if we can fulfil that role as part of that three-legged stool, we are making a unique and valuable contribution that raises the humanitarian level of society. That is exactly how we think about it.

**Q59 Mr McCann:** Good morning, gentleman. To what extent do you believe that foundations like the Gates Foundation should be part of development agreements, such as the Paris Agenda?

**Jeff Raikes:** We looked at the Paris Agenda and participated in the dialogue. As a private foundation we were not invited to sign on to the Paris accords, but we thought that there were certain principles within those that are important. That is part of the important dialogue that occurs: that focus on results and on the responsibility of in-country programmes and in-country ownership. We thought those were some of the positive elements of the Paris accords, so even though we as a foundation are not a signatory, we focus in on and believe in some of those principles.

Keep in mind, again, that foundations are a bit of a different type of entity, so we do not typically have

the same kind of operating model as Governments. For example, most private philanthropy goes towards funding NGOs, where of course a large percentage of Government funding and donor assistance would go to other Governments. I also think there are some distinctions there that may mean that, for a dialogue like the Paris accords, perhaps the concepts would have to be broadened. But in the end we believed it was an important intellectual dialogue about the principles that lead to aid effectiveness.

**Q60 Mr McCann:** Can I tease it out a bit further? Does that mean that you wait till the agreements are done and then comment on them afterwards, or do you believe that you are able to be part of the consultation process, where you have something to offer in respect of any final deal that is brokered?

**Jeff Raikes:** If you are asking specifically about our role in the Paris dialogue, I might turn to my colleague. It was before my time at the foundation.

**Laurie Lee:** We had staff at the meeting in Paris to discuss the Paris declaration and at that time it was not suggested that foundations—us or others—would sign it. But we were there for the discussions. We also attended the conference in 2008 in Accra and were part of those discussions. We will be sending staff to Busan this month, as well. So we are very much part of discussing this. So far the more concrete principles have been geared towards Government-to-Government donors, so they have not fitted us in respect of our saying, “We would behave exactly like that.” But we have been part of the discussions and, as Jeff said, we believe in the principles and believe that we adhere to those principles of aligning with the priorities of the countries that we are working in.

**Jeff Raikes:** We think it is a good thing that we all share a vision of effective aid. We have unique roles, but being a part of that dialogue is important.

**Q61 Mr McCann:** Is Mr Gates planning to play a particular role in Busan? Are you looking for any particular outcomes from that event?

**Jeff Raikes:** We will have staff attending the discussions. Jeff Lamb, our Managing Director of Policy and Government Affairs, will be attending the Busan event, because we want to support the dialogue on aid effectiveness. We are following the preparations closely and looking to the advice from the other participants as to the most effective and constructive way for us to participate.

**Q62 Mr Gyimah:** Good morning. I am interested in this concept of catalytic philanthropy, which you outlined earlier, and I would like to probe it a little bit further. Can you give us an example of where your foundation’s objective to innovate and take risks has produced outstanding results? Along those lines, do you think innovation is always a good thing in development?

**Jeff Raikes:** Let me give you an example. I will refer to my notes to make sure. An important example to share with you has to do with meningitis. The largest meningitis epidemic in African history swept across sub-Saharan Africa from 1996 to 1997: there were 250,000 new cases of meningitis and 25,000 people

died. Three years later the World Health Organisation held a technical consultation in Cairo with African health ministers and global health leaders to discuss meningitis and the development of a new vaccine. In May 2001, the Bill and Melinda Gates Foundation awarded a £70 million grant to launch the meningitis vaccine project—a joint project between the WHO, a non-profit group called PATH, the Programme for Appropriate Technology in Health, to develop the vaccine, as requested by the affected countries. The meningitis vaccine project is a great example of the kind of collaboration that can occur in a public-private philanthropic partnership—sort of a 4P.

The US Government Center for Biologics Evaluation and Research and a Dutch company, SynCo Bio Partners, came together to develop MenAfriVac. The Serum Institute of India manufactured it at a price that the African ministers of health indicated would be affordable—less than 50c a dose. The bottom line of this activity was that it was rolled out by GAVI, and the UK Government has been a fabulous supporter, given the impact of GAVI.

Three countries in the African meningitis belt, Burkina Faso, Mali and Niger, reported the lowest number of confirmed meningitis A cases ever recorded during an epidemic season. It is estimated that more than 1 million cases of illness and as much as \$300 million will be freed up during the next decade.

This example is particularly telling in terms of public-private philanthropic partnership to take some risk, \$70 million of our capital, to invest in an innovative approach—the magic of vaccines—to have a great health impact for a situation where the private sector would not naturally invest and the public sector would not naturally invest on its own. We were a catalyst to bring that together.

**Q63 Mr Gyimah:** Okay. Thank you. Am I right in assuming that you think that innovation is always a good thing in development?

**Jeff Raikes:** We are big believers in the idea that the biggest problems in the world will require innovative solutions. Of course, there are lots of different ways to define innovation. There is innovation in both the upstream and downstream. Let me explain that a little bit.

The upstream generally refers more to the science and discovery and basic product research end of the spectrum. The downstream is generally referred to as being close to the ultimate user—the last mile or the last 10 miles, if you will. We believe it is important to be innovative in both the upstream and the downstream, whether that is in relation to a new crop variety—a new variety of maize, or corn, that is more tolerant to stress, such as drought—or a farm management technique that will be able to more appropriately use that seed and/or prevent spoilage of the crop. We worked in Ethiopia, trying to innovate in respect of how frontline health workers can deliver a set of services that can raise the overall level of family health, particularly maternal/neonatal child health.

We believe that you can have innovative ideas in both the upstream and the downstream, and it will be important for us to think across that spectrum with

integrated and innovative delivery to have the impact that we aspire to.

**Q64 Mr Gyimah:** Moving on from the private sector, would you like to see donors such as DFID innovate more? Where do you see that impact—in the upstream or the downstream, as you outlined it?

**Jeff Raikes:** We have great appreciation for DFID. We are impressed with the technical staff. A good example of that is that we have a mutual commitment to work together with other partners to eradicate polio from the world. We are 99% of the way there. That last 1% is tough. Our colleagues at DFID in the technical staff have been great participants in an intellectual dialogue, challenging the traditional approach that worked for the first 99% and stimulating new ideas about what we need to do in respect of that last 1%.

Our collaboration on polio and our crowd collaboration on agricultural development represent a strong partnership with DFID that involves us both in thinking of innovative ways to deal with these tough problems.

**Q65 Mr Gyimah:** Great. Finally, have donors' risk-adverse development strategies led to your focus on innovation?

**Jeff Raikes:** A good part of it is our heritage. You may know that I started my career at Microsoft. I joined at 23 when there were 100 employees. I was a farm kid from Nebraska, but I believed in the power of computer technology—the innovation of software. So I took on the role of helping to lead the creation and ultimately the adoption of Microsoft Office. That was my career. I saw that first-hand. I worked with Bill and Melinda Gates on their vision of how innovative technologies could really change the world, through Microsoft. To put it directly, sir, I got addicted to the power of innovation and how it can change the world. I see these tough problems that we face. I was doing the calculations in my head on the way here. A child dies every five seconds, typically of a preventable disease or some other preventable fatality. We can take new, innovative approaches to make a difference for those children. That is the kind of thing that motivates me at this point in my career. It is that heritage that puts an emphasis on innovation within our foundation and it is a part of our dialogue with organisations like DFID.

**Mr Gyimah:** I guess an addiction to innovation is a good addiction.

**Jeff Raikes:** Thank you.

**Q66 Chris White:** How did that thing with Microsoft go, by the way?

**Jeff Raikes:** Better than expected. I did software because I loved software. I was writing some farm accounting software to help my brother on our farm and I thought, "Wow, this has amazing potential." But if you said to me in 1981 when I joined—it will be 30 years on 13 November—that some day 750 million people would be using Microsoft Office applications, I might have thought you were addicted to something else.

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**Q67 Chris White:** A good answer. Perhaps I can come back to the relationship with DFID and ask you to point to some of the key aspects: the most important parts of your relationship. Perhaps you can give examples of where you have influenced DFID's programmes and where it has influenced yours.

**Jeff Raikes:** I want to emphasise what I said earlier to your colleague. We have a good relationship with DFID. It is a regular relationship, with regular interaction. Many of our staff will be in contact as regularly as weekly. The net result of that is a good dialogue. With a good intellectual dialogue, sometimes it is hard to say who influenced whom. It is that confluence of thinking that is important.

The essence of the relationship is, in my view, sir, that we are having a dialogue about the challenges that we see in the world and our common interests. We are challenging each other in our thinking—what will be the best way to take on a problem, for example. Sometimes we agree and sometimes we do not, but that diversity of thinking is what is really important.

In my business career I had a rule of thumb: the bigger the aspiration and the tougher the problem, the more important it was to have a rich, diverse intellectual dialogue. After all, if we really know what the answer is, I do not need that much dialogue: let's just go get it done. But when you are trying to eradicate polio or malaria, those are such audacious goals, that I always tell our foundation staff that we have to have great intellectual dialogue among ourselves and with our partners. That is the same thing that I want with DFID. I want to ensure that we are having a rich intellectual dialogue, that we understand our different perspectives, that we see where we have common interests and shared goals, where we think that by coming together in complementary ways we may be able, more effectively, to deliver on the impact to which we aspire in respect of those common goals. That is the shaping that I think is important in our relationship with DFID.

**Q68 Chris White:** Thank you. Given where you have placed your European office, you are obviously also in contact with a range of other NGOs. Has your dialogue with them caused you to give more support or funding to others?

**Jeff Raikes:** We consciously chose to have a European office so that we could be closer to donor Governments, NGOs and DFID. It is a pretty convenient location for us here. But it really was because of the opportunity to be more a more robust participant in the dialogue here.

We think that has helped us shine a spotlight on some of the issues that are of common interest that we can work together on, so we are proud of the growth of our office here. We have 14 members of our office here. That has been a great investment for our organisation. We intend to continue to use that as a way to be a participant in the dialogue.

**Q69 Hugh Bayley:** From what you say, I hear forces pulling you in two different directions. On one hand, I hear a disciplined and focused innovator and businessman who wants value for money, and on the other—you have used the phrase “magic of vaccines”

a couple of times—there is a soft-hearted human being who wants to save children's lives. I am interested in teasing out which is the more important force in terms of the business decisions that are made within the foundation. How, for example, do you estimate the cost-effectiveness of vaccines?

**Jeff Raikes:** This is a terrific question. By the way, in my previous career I used to talk about the magic of software, so it is a nice extension of my experience set.

More seriously, I am emphasising that one of the values that we bring through our foundation is the benefit of the types of techniques and discipline that we learned in business and how that can help us think about investing in philanthropy in a way that has the greatest impact. Sometimes I like to use the metaphor of the heart and the mind. I cannot distinguish, sir, between one being more important than the other: I think they are both important. When I meet David and Lucy, dairy farmers in Kenya, who are living on three or four acres, and I understand what their issues are, I am learning—the mind is parsing information—but I also have the heart for the fact that they are figuring out a way to be more productive dairy farmers so that their daughter can go to college in Nairobi for a hospitality management degree. That combination is what is important.

When it comes to our choices, we look for the data and the evidence. We are very detailed. For example, I carry on my laptop a spreadsheet that takes the poorest countries in the world and looks at the burden of pneumonia and diarrhoea in those countries, compared with their birth cohort. We can go through and look at the cost of the vaccine delivery for pneumonia or rotavirus, or pentavalent, and make judgments about what will be the most cost-effective way to avert the death of a child. That combination of the heart and the mind is important in our work. We try to use that data and evidence to drive our thinking in a disciplined way.

**Q70 Hugh Bayley:** One of our Committee advisers is Simon Maxwell, who used to be the Director of the Overseas Development Institute, which Laurie will tell you is without doubt the first amongst equals of international development think-tanks in the UK. He gave us some figures that suggested that the cost per life saved, in respect of the money you are investing in vaccines, is more than £1,000 per life.

**Chair:** \$1,000.

**Hugh Bayley:** \$1,000 per life. He compares that, for instance, with the vitamin A programme, which saves a life for perhaps a quarter or a fifth of that amount. You have not seen those figures. But if we were to send them to you, would you get one of your research people to look at them and comment on them? I ask because development funding is a zero-sum game. If you put money into one intervention that saves lives at a rate of one per \$1,000 as opposed to another intervention that saves lives at five times the rate per dollar spent, the opportunity cost of investing in a higher-cost intervention can be more children dying.

**Jeff Raikes:** Absolutely, not only will we look at that, we already do. We are one of the largest investors in an organisation called GAIN, the Global Alliance for



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Improved Nutrition, which focuses on those issues. To your point, sir, I have a chart here that you and I can go through after the hearing, if you would like. It is based on a paper on the cost-effectiveness of interventions related to high-burden diseases in low-and-middle-income countries. I am just looking at the cost-effectiveness ratio in terms of dollars per DALY averted. By the way, you mentioned dollars per death averted, which is an important metric. Some people like to choose DALYs—disability adjusted life years—and others like to choose death: like a lot of things in marketing, you choose whichever set of data best makes your point.

**Q71 Hugh Bayley:** There is a fair amount of overlap.

**Jeff Raikes:** Absolutely. Just going through this, there is diarrhoeal disease and hygiene promotion. That social technique is one of the most cost-effective interventions in terms of dollars per DALY.

**Q72 Hugh Bayley:** But do you and your board look at this chart and say, “Innovation and high-tech is something that is in our Microsoft bloodstream and DNA, but actually digging pit latrines would save more lives than developing a new vaccine.” Or do you say, “There are other people who are good at low-tech; we are good at high-tech, even if it’s less cost-effective.”

**Jeff Raikes:** Two things, sir. We are big believers that both are needed. We think that we have a particular core competency or comparative advantage in scientific and technologically based interventions, but we do believe in both and actually we fund both. You mentioned pit latrines. Believe it or not, we are funding pit latrines. We have a large sanitation programme, because sanitation is generally under-resourced compared with clean water. You perhaps know that 2.5 billion people do not have improved sanitation. Some 1.2 billion are practising open defecation and 1.4 billion have unimproved latrines.

**Chair:** We met a lot of them when we were in India earlier this year.

**Jeff Raikes:** We are investing in scaling up improved rural sanitation. We have a significant grant through the World Bank to WASH. In addition, we are looking at new technologies for urban and peri-urban sanitation, which I think will require some scientific investments. We announced an interesting programme last summer that has now become known as Toilet 2.0, because the world, frankly, will not be able to have safe sanitation for 9 billion people with the types of technologies that you and I are used to. There is not enough water in the world to do water-networked sanitation the way that we do it in the rich world, so we will have to have innovative approaches to sanitation. We are investing in both the upstream and the downstream of sanitation. In sanitation, you really want to know whether you are upstream or downstream.

**Q73 Hugh Bayley:** One last question, if I may. You have nevertheless decided to invest a large part of your resources in vaccines. You are focusing particularly on new vaccines rather than rolling out programmes using existing vaccines.

**Jeff Raikes:** That is not true.

**Q74 Hugh Bayley:** Okay. Please correct me.

**Jeff Raikes:** GAVI is largely about vaccines that are already available, particularly pentavalent. We play a role in trying to get the prices down, because if we can take an innovative approach with manufacturers to get the price cut in half, you can vaccinate twice as many kids. That is a big part of what we do. Pneumococcal vaccinations and rotavirus vaccines have existed in the developed world—the rich world—for our children for 10 years or more. We are taking those rich world interventions and delivering on health equity so that kids in the poor world can get the same vaccines that kids in the rich world get.

**Q75 Hugh Bayley:** I think we are talking about the same thing: adapting technology in the areas where there is not prevalent use in developing countries. But my question is this, how did your board take the decision to invest so many hundreds of millions of pounds in a particular vaccine-focused programme, at the expense of some of the other programmes that you have been talking about—sanitation, for example?

**Jeff Raikes:** I would not frame it as being at the expense of those. Again, we are investing in a wide range of interventions. The key is that Bill and Melinda Gates and I, with our leadership team at the foundation, go through the evidence and think through how we can really make a difference.

Many of these things that I think you are pointing to we invest in, but others invest in them as well. The Children’s Investment Fund Foundation is a terrific partner as well, and put a particular emphasis on child nutrition. We are respectful of the fact that it is not smart for us to try to do everything. We pick things where we can focus, where they may be under-resourced relative to other opportunities and where we can bring our unique capabilities to bear.

We make a set of judgment calls, looking at the evidence of impact combined with what we and our partners can do. In fact, for each of our 25 strategy areas we have a theory of change: a description of the systemic leverage points that will lead to great impact. There is a difference between the theory of change and the action plan. The action plan is what we will do and the delta is what we will work with our partners on doing. We very much take a partner mindset to each of these issues and we try to take the data and make a judgment on our capabilities to contribute as part of deciding what our action plan will be.

**Q76 Hugh Bayley:** I am grateful. I hope we can exchange these documents.

**Jeff Raikes:** Sure. I brought a whole chapter from the book for you.

**Chair:** You might have guessed and should be warned that Mr Bayley has a background in health economics.

**Jeff Raikes:** Great.

**Q77 Jeremy Lefroy:** The Gates Foundation has put a huge amount of money into malaria—both research and practical applications on the ground. What effect

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has your participation in the fight against malaria had, as opposed to everybody else's?

**Jeff Raikes:** As opposed to?

**Q78 Jeremy Lefroy:** As opposed to the funding provided by other people. Where do you think the Gates Foundation's contribution has been a game changer?

**Jeff Raikes:** There are two things that are really important for me to emphasise. First, there has been great progress on malaria in the last 10 years. Deaths are down about 20% and there is an aspiration to significantly reduce deaths even further during the next five to 10 years. That is a collective effort that involves the use of bed nets, including better, long-lasting, insecticide-treated bed nets. That is an example of something that the Gates Foundation has helped to fund.

A very easy example for me is our decision in the early part of the last decade to fund the RTS,S vaccine candidate. GSK had great technology for that and it illustrates what I was saying earlier to the Chair about catalytic philanthropy and market failure. GSK did not really see a real market opportunity for a malaria vaccine, because it largely affects poor populations that cannot afford it. But with our stepping in and helping to underwrite the R and D, we now have not just the first phase 3 malaria vaccine candidate but the first phase 3 vaccine candidate trial results. The results showed a 50% efficacy.

There is still more research to do—we have to understand to what extent that efficacy maintains over time—but it is a great milestone in terms of a potential scientific innovation that will be a part of the toolkit for eradicating malaria. I emphasise that it is part of the toolkit, because it would be a huge mistake for people to think that this vaccine candidate is a silver bullet that will ultimately wipe out malaria. It is going to require continued investment.

We have made a real contribution to the malaria eradication effort that is not very visible today. There is a real problem with the effectiveness of the malaria parasite to continually evolve, particularly the *P. falciparum* parasite. Historically, the parasite has often tended, for reasons we do not know, to evolve its resistance to the latest drug treatments in South-East Asia, particularly on the Thai-Cambodian border.

Today, the primary drug regimen to treat malaria is known as artemisinin-combination therapy. We are starting to see resistance to artemisinin in South-East Asia on the Thai-Cambodian border; that is incredibly dangerous for the world. There is no new drug available in the pipeline to treat malaria. We are investing in those drugs. I was in Geneva yesterday, meeting one of our product development partners, the Medicines for Malaria Venture, but we are very much on top of working with the WHO to contain that malaria parasite resistance. That is an example of a contribution that most people would not see, but it is hugely important in the world. If we lost ACT as a treatment for malaria—if that resistance spread in sub-Saharan Africa—it would be a huge, horrific problem. We invest in a lot of different ways, going back to Mr Bayley's question. We are looking at a lot of different ways to make a contribution. Yesterday I was with

Margaret Chan, the Director of the WHO, and she personally called out that contribution.

**Q79 Jeremy Lefroy:** Thank you. As a follow-up to that, if this vaccine proves to be as effective as we hope it will be, clearly there is the question of rolling it out and paying for its distribution. That may be beyond the resources of the health systems where it is most needed. Does your foundation have a role in that or would you say that your role in having brought the vaccine to that stage, by funding GSK, was sufficient?

**Jeff Raikes:** We play a role in trying to help the world think through the scale-up in sustainability of any types of interventions—agriculture, health, and so on. That was a part of our initial impetus: the \$1 billion that we put in to jump-start or kick-start GAVI back in 2000. So we have played a role there. However, it is important to remember that our financial resources are a small percentage, so we have to be clever about how we can be a catalyst. We will have to work with DFID and others to think through what the cost of this vaccine is and the cost-benefit. Perhaps I shall enlist Mr Bayley, as a health economist, to help us think through these issues, because they have to be thought through. There may need to be trade-offs versus other types of interventions.

Today I cannot tell you what the answer is, but I do know the process that we have to undertake to get to an answer. We have to understand what the cost will be. GSK has made a marvellous offer; they will price the vaccine at 5% above manufacturing cost. They are committed to putting that 5% back into R and D for other neglected diseases. So we have a rough idea. I do not think we know the manufacturing cost yet. We do not know about the efficacy yet, in a way that would allow us to say that this is an intervention that needs to be taken to market.

That goes back to my earlier point to the Chair. We have to be willing to take some of these risks, develop the evidence and then make good judgment—in effect, good business-type decisions—on which of these innovations should be carried forward and which do not have the potential to have a substantial impact.

**Q80 Pauline Latham:** There has been criticism of focusing too strongly on single diseases: HIV/AIDs, malaria and others. Can you comment on your support to strengthening health systems? What percentage of your funding goes to this sort of effort?

**Jeff Raikes:** Having a strong underlying system to deliver these types of innovative interventions is critical. For example, GAVI had a programme called ISS, immunisation systems strengthening, which provided incentives to countries to build their health systems to facilitate routine immunisation. That is an example of a smart investment in strengthening health systems, because when you get in place the cold chain, the delivery mechanisms and the trained health workers for vaccines, you have cost-effective interventions.

There are other times when the health system-strengthening funds show less of the same kind of financial benefit. If the funds are channelled to tier three research or speciality hospitals in the richer cities in the poor world, we would be less inclined to

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be a part of that. We are trying to reach poor people with the systems that really help facilitate their access to interventions.

We are choosy about what aspects of health systems we get into. It is important to underscore that we are focused on specific diseases and on understanding the underlying delivery, because we do not get the impact unless you can get the vaccine or the malaria drug, or the improved diagnostic—or the better seed to the farmer. Delivery is important.

In fact, just last week I announced that I am bringing in a new president for global development. His name is Chris Elias and he has run the PATH organisation for the past 12 years. He has great experience in the developing world. He worked in South-East Asia, on the ground, for 10 years. As I said to my employees, we are going to raise our game in terms of innovative and integrated delivery. We believe that you should do that not only across the health interventions but across the spectrum of these interventions, including agriculture, nutrition, food security, water sanitation and hygiene, and financial services for the poor and in respect of financial inclusion. I want our foundation to take an integrated view of what we can do in terms of delivery of interventions.

**Q81 Pauline Latham:** You will be aware that the Executive Director of the UN population fund—I cannot pronounce his name, so I will not even try—

**Jeff Raikes:** Babatunde.

**Pauline Latham:** That's it. He has a surname that I cannot do, either.

**Jeff Raikes:** We will just call him Mr Babatunde.

**Pauline Latham:** He said: "Efforts to expand family planning services in the developing world stalled for a decade while global health organisations turned their energies to fighting HIV/AIDS. We made a mistake. We disconnected HIV from reproductive health. We should never have done that because it is part and parcel." How would you comment on that?

**Jeff Raikes:** Two things. First, family planning interventions are an important contribution to the developing world. There are approximately 200 million women in the developing world who would like access to contraceptives but do not have access to them. We happen to be one of the largest funders of reproductive health, both on the science and delivery sides. I was in Nigeria last month, looking at some of our work in the urban reproductive health initiative there, where there is a serious need for improvement in access to contraceptives.

The second thing is it just points out the rich dialogue that has to occur. As I said right up front, there are a lot of ways in which assistance can go to improve the world. There are a lot of opinions. It is important to be a part of the dialogue about what the most effective interventions are. There will not be unanimous agreement on most, if any, of these ideas. But that is part of the richness of the dialogue: the diversity of thinking leads people to make investments that make a difference. We invest to make a difference, DFID does so and many other organisations, many of which you have heard here in this Committee, are doing exactly the same thing. It is important for us to have a dialogue on that.

**Q82 Pauline Latham:** Would you say that a health system in which they are vaccinating for malaria or giving out drugs would also need to do HIV/AIDS and a check for diarrhoea, instead of saying, "We need some drugs because it's malaria"? Should it do all those things as well as reproductive health all in one place?

**Jeff Raikes:** That and more. For example, our initiative in Ethiopia is a project called L10K—the Last 10 Kilometres Project. We are working with the Ethiopian Government and other donors, including DFID, perhaps, although I cannot remember right now, on the 16,000 health posts and 32,000 frontline health workers in Ethiopia, who have approximately 16 to 20 different packages of interventions, spanning all the way from treatment of pneumonia, diarrhoea, routine immunisation treatment, testing and treatment of HIV, food, nutrition and agricultural support for food security, and water sanitation and hygiene. I love that project because it takes an integrated and innovative approach to delivery. We have underlined that innovative thinking and delivery, because we believe that the Ethiopian Government can scale that up. We are working in Bihar in India on a similar project called Ananya, which we intend to have a similar type of innovative and integrated approach to delivery. One interesting element of that project is that it includes a specific focus with the BBC World Service Trust on how to shape consumer demand or behaviour change to adopt these interventions.

A lot of innovative thinking can go into implementation research as well as science and product development research.

**Q83 Pauline Latham:** If you are funding the Government of Ethiopia to facilitate this, how convinced are you that the Government do not then reduce the amount of money they are putting in the health system?

**Jeff Raikes:** We are working in partnership with the Government but not funding them. We are funding an NGO that is doing the basic research. That, for us, is typically the way in which we do our work: we will fund NGOs that are doing the on-the-ground work and coming up with the approaches, but doing that in partnership with the Government so that they can be scaled up.

A great example of that is our work with Avahan in India. In 2005 there was a pending crisis in HIV infections in India—a worry that there would be a pandemic. We learned how to put in place a programme called Avahan, to scale up the best preventative interventions for HIV infections. We did that in conjunction with the India Government: the National AIDS Control Organisation. But we fund the NGOs, we work with the Indian Government and we are now in the process of transferring the responsibility for Avahan to the Indian Government. That is a good example of the catalytic approach that I was mentioning earlier.

We are doing a similar thing in China with TB control. You may know that about one third of China's population has latent TB. They have many cases of active TB. TB control is a huge issue. We are, in that case, part of the Chinese health budget to deliver

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innovative approaches on TB control. So that is the exception to what I was saying earlier: in that case we are putting money in with the Government to drive the TB control programme.

**Pauline Latham:** Thanks.

**Chair:** We are running slightly out of time and the Minister is outside, but I do not want to stop the Committee getting the exchange of information that we want.

**Q84 Jeremy Lefroy:** On agriculture and microfinance, I am delighted that Gates put so much emphasis on agriculture at a time when many others were not doing so. I have to declare an interest in both these areas.

How do you assess the risk of displacing, by the work you do and the funds that you bring to these areas, the markets that are already functioning—maybe not perfectly—and are beginning to pick up both in agriculture and microfinance? Clearly, a lot of work is going on, particularly in microfinance and in cash crops in agriculture. How do you ensure that you do not intervene where, perhaps, there is no need to intervene on the scale in which you do?

**Jeff Raikes:** That is a great question and we think carefully about it, partly because of our heritage. We are big believers in market systems. The way to effectively scale up and sustain many great interventions is oftentimes going to be through a market system.

Let me go back to David and Lucy, the dairy farmers in Ol Kalou, Kenya, I mentioned earlier. We were part of a project with Heifer International and TechnoServe to put in place chilling plants that would be co-operatively owned by the farmers in those communities. I visited the chilling plant in Ol Kalou, where in just a few short years they were supporting between 3,000 and 4,000 farmers. I think they may be up to 4,000 to 5,000 farmers now.

That gave David, Lucy and those other farmers a predictable price for milk, which incented them to invest in better livestock technologies—basically, a better cow—feed, storage, access to artificial insemination services and transport for the milk. That chilling plant became a hub for those farmers and enabled them to invest. Those farmers ultimately come to own that chilling plant as part of their co-operative. That is a great catalytic example.

I saw a similar example in Uganda. Working with the Michael Neumann Foundation, we encouraged smallholder coffee farmers to improve their trees, with better inputs, improve their techniques—a better irrigation approach—and improve their processing. That makes them part of the value chain, so that they can sell premium robusta coffee at higher prices—as much as 50% to 100% higher than they would have been able to sell at previously—and provides access to the wet mill technology that provides for that higher quality. Those are examples of how, with cash crops, we can be catalytic. That provides a predictable market for these smallholder farmers to invest in.

I mentioned earlier that my family are farmers. I grew up in the middle of the United States—Nebraska—growing corn, soya beans and cattle. My dad started in 1932 with 240 acres. We ended up with 1,700 acres

by the time he passed it on to my brother. When he saw a market opportunity, he invested. Farmers are like that—and they are like that in the developing world. If we can be a part of facilitating market access, we can encourage that investment.

We are shifting our agricultural strategy to put less emphasis on the cash crops, because we think others are doing that pretty well. Instead, we are trying to work on the staple crops that receive less in research and investment—for example, improved varieties of cassava. Livestock makes up 30% to 40% of the wealth or GDP for smallholder farmers in the developing world and it gets about 3% to 5% of the research. We are putting our dollars into the research, and we have a great partnership with DFID on GALVMED, the Global Alliance for Livestock Veterinary Medicines, because we collectively believe that you could make huge improvements in livestock support through this organisation.

**Q85 Jeremy Lefroy:** Just in passing, you are aware, of course, of cassava mosaic disease, which is causing a great deal of trouble in east and central Africa at the moment.

**Jeff Raikes:** Yes, I am not as aware of the detail as I would like to be, but I know that our team is working on that. We are working on wheat rust, which is a huge threat to the world's wheat supply. We are working on plant resistance to striga, which is a parasitic weed that destroys crops—I was just seeing that work in Nigeria. There are a lot of challenges in agriculture. It is fun for the farm kid from Nebraska to get a chance to work on those.

**Q86 Mr McCann:** The foundation is currently an observer to the international aid transparency initiative. Is anything blocking you becoming fully compliant to IATI?

**Jeff Raikes:** Not that I am aware of. We think that the transparency is good—the IATI, that is. We think that sharing information is an important part of encouraging the dialogue. So we have chosen to publish our global health information in that format and we are working towards doing that with global development. It just takes a little bit of time to get the data, reformat it into the appropriate categories and taxonomy of the system. But we believe that is a good initiative for the world aid community.

**Mr McCann:** Excellent. Thanks, Jeff.

**Chair:** Thank you very much. In a sense, arguably, as a private foundation you do not have any obligation to be accountable to our Committee. First, we appreciate that you have engaged with us as you have done. On the other hand, you are partners with DFID in significant ways, and how dynamic that partnership is is clearly of legitimate interest to us. I think you have given us a big range of the activities that are involved, some of which impact directly and some of which act as a kind of catalyst or resource for DFID and other donors, which is insightful.

We are trying to get to the bottom of how all these different organisations could hit together, strike sparks off each other and add value to the whole process. Your enthusiasm is infectious.

**Jeff Raikes:** Great.

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**Chair:** And we appreciate it. As it happens, tonight I am heading off to look at the GAVI programme in Bangladesh—

**Jeff Raikes:** Excellent.

**Chair:**—where they are just beginning to get geared up, particularly to look at pneumonia—World Pneumonia Day being on Saturday.

As a Committee, having raised the questions we have, we will watch that with interest. But all the other engagements that you have, directly and indirectly with DFID, will be of interest to us. Hugh Bayley has suggested that you might be able to give us some more follow-through information, which would be of interest.

**Jeff Raikes:** Certainly.

**Q87 Chair:** We would like to balance it out. Yes, it costs a lot, but there are ways of measuring it. Knowing how you come to that conclusion, given that you have helped persuade DFID to put money in, helps our understanding. Can I thank both of you?

**Jeff Raikes:** We thank you. As you said, we did not necessarily have a responsibility, yet we feel

responsible because of the work with DFID. We are an American-based organisation, but we feel a part of the world community. As I was preparing for the Committee and what I could share, I reflected on a quote from Winston Churchill that I thought fitted in quite well, relative to what we are trying to do in partnership with you. He said that you can always count on Americans to do the right thing, after they've tried everything else. Perhaps that describes the innovative work that we are trying to do together.

**Chair:** Thank you for that. Of course, Laurie Lee, you are based here, so if at any time you wish to engage with the Committee, you know where we are.

**Q88 Hugh Bayley:** Winston Churchill was, of course, half American, so he tried at least half the wrong things first.

**Jeff Raikes:** Well, my family was from Yorkshire about 400 years ago. We do not know exactly what happened, but I might speculate that my ancestor was given a one-way ticket across the pond; I am just glad that it was not to the penal colony in Australia.

**Chair:** Thank you very much indeed.

### Examination of Witnesses

*Witnesses:* **Rt Hon Alan Duncan MP**, Minister of State for International Development, **Ian Curtis**, Deputy Director, Global Partnerships and **Chris Whitty**, Chief Scientific Adviser and Director for Research and Evidence, DFID, gave evidence.

**Q89 Chair:** Good morning Minister, nice to see you. I am sorry to keep you waiting.

**Mr Duncan:** Not at all. No problem.

**Chair:** It was a somewhat enthusiastic session this morning. For the record, would you introduce your team?

**Mr Duncan:** Certainly. On my left is Ian Curtis, who is the head of the Global Partnerships department in DFID. On my right is Chris Whitty, who is our Chief Scientific Adviser and Director of Research.

**Q90 Chair:** Thank you. As you know, we are looking at the role of private foundations, which includes British and American ones. "Foundation" tends to be an American term, but I think we understand what we mean by it. Inevitably, the Gates Foundation is dominant, but we are interested in other foundations and their interactions as well, so we will look at them together.

The opening question is: the increasing activity of these private organisations clearly has an impact on donors such as DFID; do you regard it as positive, negative or a mixture of both?

**Mr Duncan:** Very strongly positive. It is difficult to find any negatives. We welcome finding willing partners in the same field who are prepared to be innovative and commit their own money—in the case of the Gates Foundation, and some others—on a scale that is really quite magnificent. It keeps us on our toes. They will, perhaps, try things that we would not have done, for various reasons—all of them good, I think. It is a strong influence for good. We would encourage the concept and are happy to work with them, and I hope that we are doing so constructively.

**Q91 Chair:** That is a fair response. I made the point at the end that the Gates Foundation is a private foundation and has no obligation, in a sense, to engage with our Committee, but clearly is keen to do so, although we would argue that, because it is partnering with the likes of DFID, we have some entitlement to ask questions. There is not an issue. However, the point comes to mind: to what extent do private foundations need to be plugged into the various international co-ordination mechanisms? To what extent will they be involved in Busan and what would their role be, for example, in respect of the whole Paris Agenda? Such organisations are private and, in one sense, they do not have to engage, but they are having an impact. How should they engage and how does an organisation like DFID approach their participation in these events and with other organisations?

**Mr Duncan:** First, we want Busan to be as inclusive as possible. The draft outcome document aims to attract the interest of new players such as private foundations. We hope to see good participation by foundations there, but we have not seen a list of participants yet, but we can pretty well guess who is going to be there—they will be fully included.

In terms of co-ordination, if they are on a small scale, from DFID's point of view we try to bind people in at the country level to try to ensure that there is no counterproductive replication or anything like that. Of course, if you are dealing with a massive benefactor, such as the Gates Foundation, there are global structures, which we can touch on if you wish, such as GAVI and the Global Fund. I think we are looking at complementarity. To have private individuals who

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have made a massive fortune doing such good for the world would put me seriously at odds with the Archbishop of York and his comments of the past few days. If we did not have these people, the world would be a poorer place.

In terms of co-ordination, we have a good working relationship, particularly with Gates, as do the main funds. The complementarity is  $1+1=3$ , really: it is a good thing.

**Chair:** I wonder if we could perhaps break it up, looking first at the Gates Foundation, because it is so big, and then at other foundations, including smaller ones, and interactions with them.

**Q92 Pauline Latham:** Obviously, the Gates Foundation is your most significant engagement among private foundations. Do you think having one such close partner inevitably limits your relationships with smaller foundations, many of which carry out vital work?

**Mr Duncan:** No, I do not think it limits engagement with others at all. It is clear and downright obvious that the Gates Foundation is in a unique position because of its scale combined with the amazing dedication and knowledge of the foundation's founders. They are able to do things in many areas at a global level. Few other organisations can, but they can do things on a scale at a country level. It is in the nature of private foundations that some of the focus of their work will be governed by the enthusiasm and passions of the people who are giving the money. I do not think there is any harm in that, as long as we do not end up bumping into each other in a counterproductive way. I can confidently say that I do not think we do that.

Gates is doing things and having an impact on malaria, polio, vaccines and the whole area of public health globally. It is quite an amazing story that one man can have such an effect on the commercial world and then such an amazing, similar, effect on the world of the poor.

**Q93 Pauline Latham:** They are completely opposite ends of the spectrum. Do you think there is a risk that people will not criticise the Gates Foundation because they might, at some point, be or hope to be funded by it?

**Mr Duncan:** If they were doing something directly that might be the case: it is true of anyone who holds the purse. But when they are working alongside us, of course, they have to commit to the same scrutiny and evaluation as us. If they are co-funding, they are up to our standards of quality, evaluation, transparency and all that, which, in the case of the Gates, it is inclined to do anyway. It is not as if we are ever having to drag them kicking and screaming to do what we would want them to do. There is a symbiotic partnership, which is all to the good.

In terms of other work that they might do through other vehicles, I simply do not know the answer to that. If people say, "Thank you, I'll take your money," and then spend it unwisely, that is up to Gates to work out. But they have their own standards. After all, it is their money; it is not taxpayers' money, which we have to look after. So, I do not think so. But even the

variety that comes out of the occasional mistake can have good consequences.

**Q94 Pauline Latham:** Thanks. DFID has often joined projects for which the Gates Foundation has provided the initial start-up funding. Do you think that DFID places too much trust in the foundation's ability to get results? Have your collaborations always paid off?

**Mr Duncan:** I do not know if all collaborations have paid off. I might turn to my officials to see if they can think of an example where it has not paid off. If they are doing something with us in a way that involves co-funding, the result is discipline comes from our disciplines as much as from theirs. They have to reach our bar if they are to co-fund. Whether or not we have gone into a collaboration that has completely bombed, I do not know. Can you think of one?

**Chris Whitty:** No.

**Mr Duncan:** I cannot think of one.

**Ian Curtis:** No, I cannot either.

**Mr Duncan:** I assure you this is not complacency. They would tell you if they could think of one.

**Pauline Latham:** Thank you.

**Q95 Chair:** Jeff Raikes mentioned drug-resistant malaria in South-East Asia. Would they have approached DFID to say, "There's a problem here. Will you engage with us?" That is the implication.

**Mr Duncan:** I will turn to Chris in a second. Let us not drive away innovation. Often, if a private foundation can take a risk in an area that we, as DFID, would not, that is a good thing. If we were to sneer about that because not everything works, that would be a pity. He is the biggest risk-taker in the world and has made the biggest fortune in the world and is spending it on the poor. I think he is a guy who knows a bit about risk. I do not think we should pooh-pooh that. If there is a successful intervention that we can build on, let us all say, "Yippee."

**Chris Whitty:** That is a good example of our both bringing things to the table. For example, the big problem in artemisinin resistance that Mr Raikes was talking about is probably now in Burma, a country that is quite difficult for the US foundations to operate in, but in which we can. Symbiotically, they started things off and we are able to take on bits using our unique competence. The combination means that we have a better chance of slowing down the spread of artemisinin resistance.

**Chair:** A good example.

**Q96 Hugh Bayley:** Like Gates—

**Mr Duncan:** I hope I was not too rude to your Archbishop.

**Hugh Bayley:** I will be reporting back, of course. Some ecclesiastical court will deliberate, probably for 25 years.

You as well as Gates are big donors to GAVI. The conclusion of Simon Maxwell, who did some work to advise the Committee, is that the cost per life saved of investing in vaccines, particularly the new ones such as the rotavirus vaccine, is pretty high—more than \$1,000 per life saved—and much higher than some other interventions, such as investing in

nutrition or vitamin A supplements. Can you explain what cost-effectiveness analysis DFID has undertaken, on its own or with Gates, before deciding to put big money behind developing some of the new vaccines that are costly in terms of impact?

**Mr Duncan:** It is a fantastically important question, but I would be strongly critical of Mr Maxwell's sweeping conclusion—very critical indeed. I think it is glib. The thing about vaccines in the impoverished world is that there is no market. No one is going to invest, easily, in finding a vaccine for millions of people who do not have two pennies to rub together to pay for it. To develop a vaccine it takes the amazing work of a foundation like Gates on research in the first place, because otherwise there would be market failure—this just would not happen. The intervention of a private foundation overcomes that market failure and gives the poorest people a chance to be vaccinated.

At the early stages you could easily work out a calculation that says it is a thousand quid per jab or something. But once you cover the millions, you are down to much smaller figures. What price do you put on the lives that are eventually saved?

**Q97 Chair:** In defence of Simon Maxwell, we asked him to give us some indication of what challenges you could put into this. So he has served us up something and you have answered it pretty robustly. Just to put the context.

**Mr Duncan:** Okay. I thought I was being a bit soft. My view is that the early costs can be said to be very high, but the fantastic story that runs behind GAVI and the research that comes from a private foundation like the Gates Foundation converts into the low-cost jab in the jungle, if you like, that saves millions of lives from vaccine-preventable diseases. It is a fantastically positive story.

**Q98 Hugh Bayley:** This is a turn-up for the books, isn't it—me demanding cost-effectiveness and you telling the Committee that capitalism does not work?

**Mr Duncan:** Talking about market failure.

**Q99 Hugh Bayley:** But there you are. Things move on. Just so that we can look at the detail, perhaps we should send you the note that Simon Maxwell wrote for us, because we would welcome a techie response from your officials.

**Mr Duncan:** Certainly.

**Hugh Bayley:** Of course, it is not saying that immunisation costs \$1,000 a jab, just that you give thousands of immunisations for each life you save.

**Mr Duncan:** Can I just point out the scale of what we think the last GAVI round achieved? It is going to vaccinate some 250 million children and we estimate that it will save 4 million children's lives. Those are staggeringly strong statistics, in my view.

**Q100 Hugh Bayley:** How much do you draw on that when you are busy setting targets for your Department? You draw on the figures that you have quoted in respect of some of your targets. How would you tease out what the DFID contribution is in relation to the lives saved, compared with the other donors?

**Mr Duncan:** I might turn to Ian in a moment. The obvious answer, by a pretty straightforward calculation of burden share, is that in GAVI, for instance, you have a pretty defined product and series of outcomes, and a clear measure of who is putting what into the pot. At the last funding round earlier this year, which I think was a real triumph and a personal success for the Secretary of State in leading it, the calculations are pretty straightforward in the GAVI exercise.

**Ian Curtis:** That is absolutely right. We keep it quite simple. It is in proportion to our contribution to the pot.

**Q101 Hugh Bayley:** There has been some criticism that these vertical funds tend to finance things that are popular or sexy—perhaps eye-catching is the right word—diseases at the expense of investment in the general health provision in a developing country. How do you react to that?

**Mr Duncan:** Behind your question is the suggestion that by concentrating so much on this, perhaps we are neglecting broader programmable health projects in our countries, be it multilaterally or bilaterally. I have asked this question robustly in the Department and feel genuinely that what GAVI and Gates are doing complements and supplements and does not displace. We are still doing a lot in health and education. It is fair to say private foundations, on a scale, do not tend to focus as much on education as they do on measurable health interventions. But I do not think there is any displacement or consequent neglect. The demand out there is so massive that we struggle to meet it in terms of what we in the multilaterals do, particularly in an ever more turbulent world, with other demands on our resources.

But I think we have got the balance about right. One important element of the multilateral and bilateral review that we went through when first coming into government was not just to look at what works but the aggregate picture. The aggregated picture of what our bilateral and multilateral activities are, combined with the overall picture of who is doing what where it is needed, has ended up with a pretty balanced, sensible structure.

**Q102 Jeremy Lefroy:** On the welcome news about the new malaria vaccine from GSK, which is under trials at the moment that will conclude by 2014, would we have reached this stage without the Gates Foundation? When, hopefully, the trials are concluded and the vaccine can be rolled out, how do you anticipate that being funded in the countries that need it?

**Mr Duncan:** The malaria vaccine initiative has been all to the good. The great thing about the resources of the Gates Foundation is that it can go through frontiers that we cannot quite go through. In terms of funding, we do not fund research, as such, but we will buy and therefore will want to encourage the activities of UNITAID, for example, to ensure that the buying is as efficient and economical as possible. We are, in the end, a customer rather than a scientific researcher, but, again, the symbiosis here has been good. Perhaps I



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should talk to Chris, our scientific brains, about this. Note the plural.

**Chris Whitty:** The RTS,S vaccine is a great scientific advance, but we do not yet know what its role will be in public health. There are two things at least we do not know. We do not know how long it will last for. At the moment it has 50% efficacy. If it wanes quite fast, that will obviously make it a less attractive public health proposition. We do not know what the price will be. GSK has said that it will be costed at 5% above manufacturing, but how you cost manufacturing is an art as well as a science.

We will need to look seriously at how its cost-effectiveness, in addition to things like bed nets and treatment, stacks up. If it is in the range of a thing like an insecticide-treated bed net, we will want to invest in it. If it looks like it is less than that, that would give us reason to be more cautious.

**Mr Duncan:** Forgive me if I just add one thing. Within this there is the Drugs for Neglected Diseases Initiative, which probably would not be happening without this structure with Gates. It also addresses the question of whether we are just going for the easy hits and neglecting some areas that are a little bit more difficult to penetrate. Again, out of this partnership emerges a focus on some things that would otherwise be neglected.

**Q103 Jeremy Lefroy:** Just coming back to the first part of my question, would we have reached this stage—we are talking about the efficacy of private foundations—with the vaccine were it not for Gates?

**Chris Whitty:** No.

**Q104 Jeremy Lefroy:** Right. Thank you for that. DFID had advice provided by Gates' technical experts for the development of the framework for results for malaria. Were they the main contributors or did you receive input from several sources?

**Chris Whitty:** We received inputs from multiple sources, including other foundations, including, for example, the Wellcome Trust. But we started off with a full evidence review, which we got externally peer-reviewed by leaders in the field from around the world. We got information from the WHO, Gates, Wellcome, and many other organisations. It was definitely not one foundation helping drive our policy.

**Jeremy Lefroy:** Thank you.

**Q105 Hugh Bayley:** I thought you made a very important point, Minister, about—

**Mr Duncan:** Oops.

**Hugh Bayley:** No apology needed. You are safe on this. Your important point was about how the private foundations have focused disproportionately on health and rather less on education. What is DFID doing to try to persuade private foundations to do more in the field of education, particularly girls' education? Does the fact that there is more of an appetite for private foundation money to go to health rather than education have an impact on DFID's spending resources? Do you spend more than you otherwise would on education because you are getting more funding from non-government sources for health?

**Mr Duncan:** It is undeniable that if billions were flowing in from another source, matching what we are spending, we could halve what we are spending, theoretically. Life is not like that. They are focusing on other areas, which is fine, as far as it goes. We have tried to encourage private foundations to look more at education. The Pearson Foundation is doing things through a global partnership with us.

You have to think about the structure as well. Primary education, in particular, tends to be one of the first services that any functioning Government will want to provide. You could equally say the same of health, but not necessarily in all the fields that GAVI and the Global Fund are working. They will be doing much more basic interventions. If you are looking at having to work with a Government, a ministry and the whole structure, that is not necessarily as easy for a private foundation to do as it is for a Government-backed Department like us, working as we do with Departments in other countries, and the UN and other institutions. Education is not as penetrable a sector as the areas in which the foundations are working. That does not mean that we will not want to encourage them, but there are more obstacles.

**Ian Curtis:** I am seeing a number of foundations now becoming increasingly engaged with education. There are Global Partnership for Education meetings over the next couple of days. Foundations have been engaging quite actively in that process. We will wait and see the level of commitment to education coming out of the GPE meetings. In the next one or two years it will be interesting to see whether there is a more significant move to education, beyond health.

**Q106 Pauline Latham:** Can you tell us a bit more about how the Nike Girl Hub works, both in the UK and in DFID offices in Ethiopia, Nigeria and Rwanda? What are the outputs of the project and in what ways has the involvement of a private foundation influenced them? Do you think the Nike Hub could be replicated in other sectors?

**Mr Duncan:** I should say at the outset that I do not lead on Africa, which is where most of this happens. I have done my homework on the foundation itself, but you will forgive me if I do not know the details of all our programmes on the continent.

The Girl Hub supported by Nike is a strong influence in shaping the entire DNA of DFID in all our partnerships, putting girls really high on the agenda. Its fizzy, energetic championing of girls' needs is heartening. It is inspiring when you see it. The foundation is engaged in specialist consultation on the design of something we call the Girls' Education Challenge.

Ian, perhaps you would like to add to what emanates from the Girl Hub in Palace Street, in terms of practical effect.

**Ian Curtis:** It is centred out of Palace Street, as you will know, with nodal points in a number of our country offices, including Bangladesh, South Sudan and Nigeria. It is interesting because it considers empowering girls in a number of ways, including their safety, education, economic opportunities and livelihoods, and works with them in-country in

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seeking to achieve outcomes in those areas. I see it as a significantly transformational programme.

**Mr Duncan:** It has been deeply involved in shaping our programmes in Kenya, particularly north Kenya and, as you mentioned, in Ethiopia. It is there as a real hub of expertise to help design the most effective programmes we can to affect girls in some challenging countries, where society and poverty keep them on the bottom rung.

**Q107 Pauline Latham:** You may not be able to answer this, but are there any plans for them to move into DRC, where girls' and women's lives in some areas are incredibly impoverished, because of all the raping and defiling of women and using them as a tool of war?

**Mr Duncan:** I do not know, but I am happy to write to the Committee on any detail. In my brief I have examples in Ethiopia, Kenya and Rwanda. I am sure the answer is yes, but exactly what the detail is I cannot say.

**Q108 Chair:** Can we arrange for the Committee to come and have a look?

**Pauline Latham:** We should go to see this, Chairman. We are allowed to travel, after all.

**Chair:** I think we can travel to Palace Street.

**Mr Duncan:** You can get down the side of the park.

**Pauline Latham:** It would be useful, as they are so close, not to have them here but to go and see them in situ.

**Ian Curtis:** I am sure that Ellen Wratten would be delighted.

**Mr Duncan:** Transparency is all. We worship at the altar of transparency.

**Q109 Pauline Latham:** DFID has said, "Girl Hub has supported DFID's top management group in redesigning its gender strategy," which you alluded to, "to ensure that girls and women are a key priority for every country." The Secretary of State, Andrew Mitchell, said that about girls and women, but exactly which gender strategy are you referring to and who else has been involved in the consultation on this?

**Mr Duncan:** I think it is everything that was on your list there. Basically, it is as if there is a great big sign in every room in DFID saying, "Think girls." It is understood to be so important in the design of everything that it is absolutely there in our DNA. This can express itself in different ways, depending on the challenges of the country in which we are working. Every country has different challenges, but particularly in DRC and, I guess, Sudan, there are some pretty mucky challenges that we have to address at the moment. In terms of who we have consulted outside, we are always there sharing our expertise.

**Ian Curtis:** This is something that we have been prioritising for the last three, four or five-plus years, as I am sure you are aware. Actually, Mark Lowcock, our new Permanent Secretary, was the gender champion within DFID, so he is able to drive this now from—

**Pauline Latham:** From the top.

**Ian Curtis:** Precisely. We engage with others very widely on the issue of gender.

**Mr Duncan:** I do not know what percentage of our officials are women—I am totally guessing when I say this—but it certainly feels, in terms of me being told what to do, that it is well over 50%.

**Q110 Pauline Latham:** I suppose I could come back and say that, unfortunately, there are not many Ministers who are women.

**Mr Duncan:** No, but we have Baroness Northover in the House of Lords and Baroness Stowell. Okay, there are three men and only three Ministers, but what matters far more is how we think and what we do. There is absolutely no doubt whatsoever that gender is an important ingredient in everything we do.

**Pauline Latham:** Do not get me wrong. I would not want a token woman to be put in there just because she was a woman; it has to be the best person for the job.

**Q111 Chris White:** Some UK-based foundations have commented that it is difficult to access DFID at the Civil Service level. How would you respond to that criticism? How do you manage these relationships through the Department?

**Mr Duncan:** Ministerial time is precious, so just because someone is a foundation does not mean that they can say, "I demand to see the Minister." It has to be effective in terms of the work we are doing. Any foundation can have access to us and officials will always be available to talk to them, but as their scale gets larger so their importance for us will grow as well, along, of course, with their focus and aid impact. We are pretty open. But where a foundation has a particular enthusiasm focused only on one small part of one sector in one country, the right port of call for that foundation would be the country office, so that we can effectively insinuate and integrate them into the picture of what we are doing in that country as a whole.

We are not standoffish at all, but we have to rank them a bit and have an evaluation process in respect of how useful they are going to be. We welcome all philanthropic generosity that can be focused on what we are trying to do. But we have to have an eye on whether it is £100,000 a year or £1 billion.

**Q112 Chris White:** A fair point. Some UN agencies and bilateral donors have set up partnership offices. Would you consider that?

**Mr Duncan:** Meaning what, quite?

**Q113 Chris White:** Bilateral donors and organisations such as USAID have opened up partnership offices to facilitate the joint working between foundations.

**Chair:** An access point really.

**Mr Duncan:** You mean a department within DFID that would say, "Come via this portal and we'll team you up." He is sitting on my left. Perhaps you would like to explain the access we offer to foundations.

**Ian Curtis:** Exactly. I am head of the global partnerships department. We have a particular responsibility for co-ordinating—I would not say managing—engagement with foundations, because

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the relationships are many and varied. We take a real-time view and once a year we have quite an in-depth review of how our engagement with partnerships is progressing.

I take the point on smaller foundations and recognise that might be an issue. We would be willing to make an offer if there is a group of smaller foundations that would like to come together and ask for a meeting; we would be happy to hold that annually, perhaps.

**Chris White:** A sort of a roundtable.

**Ian Curtis:** Exactly, in the same way that we do with smaller NGOs. Indeed, through BOND, as well, we have regular meetings with groups.

**Mr Duncan:** That is the sort of thing I as a Minister could or would happily attend.

**Q114 Chair:** I have a direct follow-up. We took evidence from the Wood Family Trust, a local connection that is Aberdeen-based, and they were complimentary about the engagement with the country programme in Tanzania and Rwanda and the DFID offices. That was not a point of concern. But Ian Wood, who is the principal and the chairman, said that they would like to do more with DFID, but, “Frankly, we could not marry that into the kind of structure that DFID works with.” He said the trust “accepted the understandable regulations, restrictions and constraints that [DFID] work under as a Government body”, but was frustrated they have not been able “to get that model” that would facilitate a funding partnership. They are relatively new, but they are business-orientated. Basically, he was saying, “My frustration is that what we’re doing and DFID are doing is complementary, but somehow we can’t get a working relationship.” He was frank and also said that they want the flexibility and do not want to be bureaucratised out of existence by a partnership, but thinks that they can add value to DFID if the right working arrangements could be found. I do not know whether that needs to be explored better or whether there is a dynamic.

**Mr Duncan:** Perhaps I should declare an interest. I think they are the group that bought out my grandfather’s company a few decades ago in Scotland.

**Chair:** They have done well.

**Mr Duncan:** Not for very much, I would add. But never mind. It is in the nature of private foundations that, if they have their particular view of how they want to go about their philanthropy, they are fully entitled to do it in the way they choose because it is their money. But in as much as they are trying to join us in some kind of collaborative programme, we have to abide by our standards, which are strictly laid down, of course, in terms of auditing and things like that, and in terms of evaluation of impact and value for money, and that kind of thing. That does not mean that we are not flexible, but it is inevitable that, from time to time, we might appear to be so because we have a different methodology.

Motivated individuals who have built up a fortune and want to spend it on what they choose are fully entitled to do it in their own way, but if occasionally it does not match our way of doing things, we have to say, “So be it.” It is not that we are unreceptive to any suggestions about changing, but that we would fall

foul of something that was hinted at earlier, which is that if we said, “Thank you very much; you’ve got lots of money, therefore we are going to do what you tell us,” we would be guilty of slipping away from the standards that we have set.

**Q115 Chair:** I accept that. To be fair, I think Ian Wood would accept that; that was in his quote. I think he would admit that they are new to it and are learning as well. They have titled their programme. “Make markets work for the poor”. They feel that they have something that will help DFID achieve its private sector development objectives and that, somehow, they have not worked out a way of working together that unlocks the two things together.

They are small and are learning, and I do not think that is necessarily a criticism. However, many of us thought that if DFID is really going to get to grips with private sector development it will need to partner with entrepreneurial people with that kind of business background in a way that has not happened in the past.

**Mr Duncan:** All right. Now that you are talking about that, rather than longer term programmes, we are steadily moving much more to that kind of model than has ever been the case. Yes, we have set up the private sector department, but we also appreciate that some kind of innovative investments by philanthropists can pump-prime markets in a way that we, as DFID, might not do ourselves with our money.

If you are trying to kick-start little markets—an entrepreneur may know how to do that better than we do—we are moving closer to the point where we would consider some kind of collaborative venture than we ever have before.

**Q116 Chair:** Would there be a role in that for CDC in its new guise?

**Mr Duncan:** Possibly, yes. I do not know if the scale would suit. I do not know. We are thirsting if not for a new philosophy at least for an amended philosophy to try to bring private sector growth in development into other areas.

**Q117 Chair:** I think it is something that we, as a Committee, might want to help you tease out.

**Mr Duncan:** Yes. Certainly, if I was sitting at my ministerial desk and an official came to me, I would say, “Be open-minded about it. Let’s go exploring. Beware of the International Development Committee telling us we’ve wasted a lot of money, but take a few risks.”

**Q118 Hugh Bayley:** In your submission to us you say, in relation to African foundations rather than the Western-based foundations, “DFID recognises that the new African Foundations are playing an increasing role in development.” You go on to say that in the autumn you would be engaging in some programmes of work with them and with the African diaspora.

**Mr Duncan:** I guess that is autumn 2011.

**Q119 Hugh Bayley:** Yes, 2011, this autumn. Which foundations are you talking about and what activities are you engaging in or about to engage in?

**Mr Duncan:** A very good question to which Mr Curtis has the perfect answer.

**Ian Curtis:** I fear I do not have a particularly full answer on that one.

**Mr Duncan:** I do not know the answer.

**Q120 Hugh Bayley:** We are genuinely interested. Can you send the Chairman a letter spelling out the activities that lie behind paragraph 54?

**Mr Duncan:** I can say instinctively that we are looking at foundations that are pretty small, compared with some of the others, so they are quite infant. Of course, you also have to look a little bit at the origins of the money. We have to tread a little bit carefully. But yes, we will write to the Committee with a fuller explanation.

**Q121 Hugh Bayley:** Okay. We had evidence from Christian Aid that suggested—we touched on this slightly in earlier conversations—that DFID offices in developing countries ought to play a stronger liaison role with the private foundations. I think we are talking about the Gates' and other Western-based foundations. Is there adequate co-ordination on the ground?

**Mr Duncan:** Co-ordination is never as adequate as you would like it to be. But it is fair to say that, in all the countries I have visited, DFID is in pole position to act as a ringmaster for development effort in the host country. In terms of gathering UN agencies, NGOs and private foundations—for instance, I was with the Aga Khan Foundation in Tajikistan two weeks ago—DFID is very effective. But we are not the boss. We can exhort and encourage and advise, but we cannot instruct.

In terms of trying to get the optimum co-ordination in any country, we do quite well. It is slightly off-beam here, but DFID's co-ordinating role in earthquake-preparedness in Nepal has been supreme. I hope that we can have a similar effect in respect of the more practical poverty programmes in other countries.

**Q122 Hugh Bayley:** I mention in passing the example that the Christian Aid man gave to us from Liberia. He said that the Government of Liberia has set up a philanthropy secretariat that tries to co-ordinate with the philanthropic foundations. In respect of more general governance or capacity-building work that DFID does, that is something that Christian Aid would like you to look at and consider.

**Mr Duncan:** Yes, we have to show good manners in our host country. Where a country is capable of co-ordinating those who wish to help its people, who are we to say, "It's us not them"? However, where they are not showing the capacity or will to do that, it is right that we should step in and try to exercise leadership. That is what any head of a DFID office would do as part of the basic job.

**Q123 Hugh Bayley:** Finally, DFID comes in for criticism in the UK, from time to time, for working in middle-income countries, such as India or China, which we no longer work in now. Is there an argument that such work should be taken on by the foundations,

leaving official development agencies like DFID to focus on the poorest of the poor?

**Mr Duncan:** No, you cannot just segregate the world like that and delineate it in a way that says, "You're middle income, so the foundations will do it." Who are we to say that the foundations have to, and who are they to say that they are definitely going to? I am sure that they will want to concentrate much more on the poorest. That is the brand image of their benevolence. If we are winding down in Vietnam over the next few years, because it has been a success and is pretty well now a middle-income country, as Indonesia is, we cannot just say, "We're going. Here, Gates, you go and do it." The world is not like that. It will be much more effective in terms of impact and value for money for us to be working with them in the poorest areas, as we are. We cannot just tell people, whose own money is being channelled as they choose, to push off from the poor and to go to the middle-income countries. If anything, it should be the other way round.

**Q124 Mr Gyimah:** Minister, just a few questions on transparency and accountability. Currently, all that is required of foundations in the UK is the filing of annual reports and accounts to the Charity Commission. Foundation reports must demonstrate how they are carrying out their charitable objectives in providing public benefit. Are you happy with these relatively light-touch reporting requirements for UK-based private foundations? What are your thoughts on more stringent regulations—for example, the USA's requirement that foundations pay at least 5% of the value of the endowment each year to charitable purposes.

**Mr Duncan:** You have two regimes: the foundation regime in the US and the charity regime in the UK. Of course, in the UK it has to be for certain purposes and they have to file accounts and we have our rules. In the US, instead of money just sitting there, they say that a certain amount has to be spent. These are equally valuable and valid sets of rules.

In terms of the transparency and everything in the development sector, we encourage foundations to join the International Aid Transparency Initiative, as the Hewlett Foundation has done. I am also confident that the Gates Foundation meets all those standards in what it does. But we cannot go to a charity in the UK and say, "Oh, because out of your benevolence and generosity you happen to have chosen the development sector, you are subject to a completely different set of rules." This is, after all, private money being spent on other people's needs.

If, however, through the partnerships we are building up we can encourage them to share, meet and exercise our standards, that is a good thing. I think we are doing that. But it would be ill-advised to suddenly treat the development charity that works abroad differently from the health charity that works at home. Are they subject to all sorts of outcomes as well? We have to be careful not to be too haughty about this.

**Q125 Mr Gyimah:** On the IATI, you mentioned that the Hewlett Foundation is compliant, and that you are

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confident that the Gates Foundation would be. What specific progress has been made in that direction?

**Mr Duncan:** Their transparency standards are pretty high.

**Ian Curtis:** The Minister has more or less covered it. There are conversations going on at the moment. It is interesting that foundations talk to each other. Hewlett is highly influential and I can see that, over time, a number of foundations will be drawn into providing information to IATI as part of their transparency process.

**Mr Duncan:** It is also in their interests, and they will want to more and more, because they have their dignity. They are inextricably bound up in the reputation of the main funders, and they will want to meet the highest standards. They may disagree about how to go about it and they might have slightly different principles, but by and large we are all pushing in the same direction.

**Q126 Mr Gyimah:** I have a lot of sympathy with your view that it is their money and who are we to tell them what to do with it and impose onerous standards on them. What steps can we take to make aid flows from private foundations easier to track? Yes, it is their money, but is there something we can do—for example, giving the OECD development assistance committee a role in collecting those data?

**Mr Duncan:** Yes, we would encourage full transparency in what is given, particularly where it is done on a scale that has obvious impact in any country. I chaired a DAC donors' conference the other day. We may talk about private foundations, but many countries do not meet the sort of transparency that we would like. In the Arab world there is an extraordinary generosity and direction of resources into many needs, but accounting it is not easy—but we are getting there. I hope there will be something clear about this at Busan. But in terms of the private foundations, I would sum up this entire session in a sentence: don't look a gift horse in the mouth, but every now and then give it a purposeful prod.

**Q127 Chair:** I reassure you, Minister, that the purpose of this inquiry is not to come up with a gamut of recommendations on how we should regulate private foundations—we accept entirely that they are precisely that. It was really just to see how they play in the development scene, the interaction and interconnection, and whether more could be done to add even more value to them. That is what we are looking for. I want to reassure you that there is not a load of new regulations being recommended by the Committee.

On that, we have had evidence on venture philanthropy—philanthrocapitalism—saying that there are people out there who want to do more on this front and asking whether there is a role for co-ordinating and encouraging this, and, indeed, whether there is a role for DFID in doing so. I will come in a minute to a couple of suggestions that have been made. In terms of venture philanthropy, somebody has said that it is profit with a purpose, encouraging people to give money, focused on helping poor people, but in ways that will provide products that

will serve their needs competitively and also create a profit—presumably a lower profit and maybe refinanced into it.

**Mr Duncan:** The answer to your question is an unequivocal yes. This will be a growing process by which philanthropy can have effective influence. If you just give a grant, people will say thanks and take the money, and you have not made any structural change. But if you are lending something that, initially, right from the start, is on some kind of business model—perhaps not as stringent and challenging a one as the normal investor might require—you can get things going that leave a legacy of a working market or an investment that is actually turning over.

This is sometimes called patient capitalism, meaning that they are patient rather than a patient. It is what I call the slow-burn return. The philanthropic investor will be prepared to wait longer and have a lower return, at least to start with, but will at least be getting something going.

Where you have poor access to markets, poor mobilisation of resources and are unable to make that initial investment to get something going that can generate a return, these guys come in, and I think they can have a massive impact. It absolutely ties in with our focus on private sector development and growth as being an essential engine of development.

**Q128 Chair:** Okay. Jeremy Lefroy has caught my eye, but I have a couple of suggestions. Matthew Bishop and Michael Green, in their session on philanthrocapitalism, had a number of recommendations. I want to pick out two. The 0.7% is obviously a public sector objective. Their argument is, why not have a 1% objective, which was the original one, but with the difference being encouraged to come from philanthropists? I know we have not got to the 0.7% yet, and you might argue that we should do that first, but is there any scope for that?

**Mr Duncan:** Do you know what? I would rather just get on with the 0.7% and try to get other countries to follow suit than end up having an argument about burden share. How do we know which countries will be able to generate the resources of a Gates or a Hewlett Packard, or whatever? You cannot fit that into a definable pattern. Is it all going to come from America, China or India? Many people across the world are enormously generous in their support for international development, and we encourage that, not just in respect of disasters, but regularly. If you try to demand that private generosity should be made to fit into an international straitjacket, that is not the best way of encouraging them.

**Q129 Chair:** Would your view be similar to the one that encourages, as some have suggested, an international philanthropy conference in London, where effectively the Buffetts and the Gateses come along and say, "We're doing it, why don't more of you?" In other words, it is not government, it is their initiative—but we are just saying, "Why don't you do it?" What do you think of that?

**Mr Duncan:** The question is whether something like that can get traction. We are seeing, in America, the phenomenon of some of the very richest—

**Chair:** An awful lot of bankers ought to have a conference.

**Mr Duncan:** Absolutely. A different sort of traction for them, perhaps. You have the Buffetts and the Gateses, and people like that, saying, “Well, I’m going to give so much to my family, but the rest of it’s going to be in a foundation.” There are not so many of those people in the world, but it is great when they crop up. But they may want to give to other causes than development.

Again, we are back to asking to what extent you can somehow call upon private generosity having to fit into our global model. I am cautious about that. I am far more grateful for what they do than I am insistent about what they should do.

**Q130 Jeremy Lefroy:** I am delighted to hear that. When I have looked at venture philanthropy, I have seen that some of what is going on with it in developing countries is more innovative than what is going on in this country or across the developed world. Do you think that there is a way in which lessons can be learned or there can be feedback from the rather innovative approaches, including those of DFID in some countries, to the Treasury to UK business and civil society? Sometimes, the world out there, in developing countries, is rather exciting, with new ways of doing business, and so on, but back here we are almost getting left behind. Does DFID have that kind of feedback into the UK mainstream?

**Mr Duncan:** Yes, it is difficult to think of how many examples would transfer from the developing world to the developed world.

**Q131 Jeremy Lefroy:** I am thinking particularly of these impact investments.

**Mr Duncan:** Yes, I am racking my brains for an example. Micro-finance is one example. Look at what we think about our banks at the moment and look at what we are doing with micro-finance in Bangladesh and India and other parts of the world. There probably is some read-across from which we can learn, rather than just telling them how to do it. The vehicle for that may be the philanthropic capitalist who says that he is prepared, with his own money, to do some good by taking the risk, which might completely crumble, but at least if it works well they will have done a lot of good to people in need.

We always have lessons to learn from other parts of the world, be they rich, poor, near or far. We are open-minded and will try to translate anything that we experience in our work that might have wider application.

**Q132 Chair:** There are some specifics. You mentioned Bangladesh. I happen to be going there tonight. Given the political difficulties of the founder of the Grameen bank, one wonders whether the organisation might be better focusing its activities outside Bangladesh more than it has done, because it has created quite an attraction. Or for that matter, DFID’s partnership with BRAC within Bangladesh

could have wider implications. I understand that the Dutch Government have partnered with BRAC to do some poverty reduction projects in the Netherlands.

**Mr Duncan:** That is amazing. BRAC is, of course, doing things outside Bangladesh. I did not know that they were doing that one. They are a remarkable organisation that is doing things one would not expect, given their origins.

The Grameen case, as you well appreciate, was quite complicated and was so tied up in the difficult politics of Bangladesh. But as a model it was good. In India, there are some problems with micro-finance. At what point does it turn from helpful finance into loan sharks demanding their money back?

There are moments when micro-finance can go sour. It is important to ensure that it does not.

**Q133 Chair:** Okay. Thank you. I hope you will appreciate that this was a bit of a side-journey for the Committee, looking at something a bit different from the main stream of the Department, but we have learned a little.

A final question, because we are having difficulty getting people to come and talk to us. What about the role of high-profile advocates. They fall into two categories. You have the Bill Gateses and the ones that are qualified, motivated and resourced, and those who you might regard as celebrities, but who have a real audience out there that listens to them and might respond to them—whether it is the Annie Lennoxes or Bob Geldofs. From where you sit, how do you feel these interventions cut across what you are doing?

**Mr Duncan:** They have done more for aid awareness and development awareness than any DFID budget could ever have done. They have reached people in terms of the young and the otherwise uninterested who politicians could never have excited. When I first sat down with Bob Geldof, I was astonished at his depth of knowledge and the real intellectual calibre of his approach to development, which was truly impressive.

Of course, it is not just about persuading people here. When knocking on doors in African countries—no doubt Bob teaches African leaders some new and exciting adjectives—he is persuasive there, too. So let’s have more of them.

**Q134 Chair:** Does it not also help counteract the rather negative view of aid that is creeping in at the moment? For example, the idea that it is wasted. These people say, “Well, actually, it’s not wasted; we believe it’s the right thing”—whether they are the Gates Foundation or the Geldofs.

**Mr Duncan:** It does. Comic Relief has, although that is not for disaster relief, which people obviously support; it is for much more established continuing interventions, which they count—they say that 50,000 kids will be able to go to school, for example. That chimes with our philosophy. It has been good and I hope that the Committee will take stock of the polling this week, which has shown, pretty well, that 50% or so of people—I cannot remember the exact figures in

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the papers yesterday—fully support our spending on development. Curiously, a large percentage think we are spending some 50% of the entire Government budget on it. When you tell them it is only about 1%, they do not really have any grounds for complaint—at least, not in respect of the way that people have been complaining.

**Q135 Chair:** I think a lot depends on how you ask the questions—what your motives are.

**Mr Duncan:** A bit of ingenuity never goes wrong.

**Chair:** Thank you, Minister, and thanks to your team. I hope that you will find our report of some interest. Thank you for your effort.

**Mr Duncan:** Thank you.

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# Written evidence

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## Written evidence submitted by Association of Charitable Foundations

### 1. INTRODUCTION

1.1 The Association of Charitable Foundations (ACF) is pleased to submit a response to the International Development Select Committee's call for evidence to its inquiry into the role of foundations in development.

1.2 ACF is the umbrella body and membership organisation for grant-making charitable trusts and foundations in the United Kingdom. ACF's priorities include enabling trusts and foundations to achieve good practice in grant-making, both in the way in which they respond to grant applications they receive and in their investments for charitable purposes. Through its project Philanthropy UK, ACF seeks to encourage philanthropy by providing free and impartial advice to aspiring philanthropists who want to give effectively.

1.3 ACF has over 320 members. They range in size from large foundations with paid staff distributing over £20 million a year each, to small often local volunteer-run trusts distributing less than £100,000 a year. Together they give over £1.7 billion a year to a wide range of charitable causes, both to organisations and to individuals in need.

### 2. TRUSTS AND FOUNDATIONS, AND THEIR ROLE IN INTERNATIONAL DEVELOPMENT

2.1 In the UK charitable trusts and foundations are a form of express trust dedicated to charitable goals, and the word "foundation" is also sometimes used in the title of an operating charity (ie: one that delivers services to achieve its objectives). A charitable trust must demonstrate both a charitable purpose and a public benefit and is not simply a group of private individuals. It cannot run for profit, nor have purposes that are not charitable.

2.2 Most trusts have established assets—frequently in the form of endowments—held in their own name for the purposes set out in their statutes or articles of association, and their administration and grant making must be carried out in accordance with these. Trusts are administered by trustees, who can only act in line with the approved mission of the trust, and there is no relationship between the trustees and the beneficiaries.

2.3 Foundations registered in England and Wales are regulated by the Charity Commission which requires them to report each year on how they are carrying out their charitable objectives and providing public benefit. (The equivalent bodies in Scotland and Northern Ireland are OSCR and CCNI).

2.4 Within this framework trusts are free to act in responding to need in line with their aims. Because of their independence, they can take a long term view and choose to fund in areas that are hard to measure, neglected or politically difficult. This provides a plurality of approach that plays an important role in the overall ecology of funding for international development. It is crucial that the independence of foundations is preserved as a vital means of doing something different from government funding.

2.5 ACF welcomes dialogue with Government on this issue and will follow the progress of this inquiry with interest.

### 3. ACF'S INTERNATIONAL DEVELOPMENT ISSUE BASED NETWORK

3.1 In addition to its overall support for trusts and foundations, ACF also provides administrative assistance to a group of its members who are interested in international development—the International Development Issue Based Network (IBN). The group is co-convened by David Cutler, Director of the Baring Foundation, and Sarah Lock, Head of the Africa Programme at the Nuffield Foundation.

3.2 The purpose of the Network is to encourage the most effective use of charitable resources through the provision of a forum in which foundations can not only share information and explore issues of mutual interest on the topic of international development, but also have opportunities for co-funding or collaboration. The IBN has 42 members and has met 13 times over the last five years.

3.3 A full list of the meetings held is given below. Recurring themes have included:

- information exchange about current funding programmes and priorities;
- understanding government priorities for international development; and
- evaluating the effectiveness of funding work.

3.4 Meetings held over the last five years included:

- *Funding opportunities in India* (September 2011).
- *Assessing the effectiveness of international development work* (May 2011).
- *Working together—working with others*, a conference providing an opportunity to exchange good practice on grant craft and updates on factors affecting international development funding, including a contribution from speaker Eamon Cassidy, Head of the Development Relations Department in DFID (Jan 2011).



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- *The government's agenda on international development*, a break out session at ACF's annual conference exploring how the government's agenda is complemented by foundation support for this area of work, with Stephen O'Brien MP, Parliamentary Under Secretary of State for International Development (September 2010).
  - *Approaches to learning*—an exchange by IBN members on techniques used by them for monitoring and evaluation (June 2010).
  - *Sharing, updating and beyond Going Global*—an information sharing meeting on what IBN members were supporting and any major policy changes that may affect their work (April 2010).
  - Break-out session at ACF conference featuring a debate on what difference we make when funding in the developing world (October 2009).
  - *The Conservative Party's Agenda for International Development*—with Andrew Mitchell MP, then Opposition Spokesman for International Development (September 2009)
  - *International Development and Climate Change* (July 2009).
  - *Diasporas and Development* exploring the contribution of diaspora communities to international development (September 2008).
  - Meeting with the Minister for International Development, Shahid Malik MP (March 2008).
  - *The state of girls in the South* exploring the links between Millennium Development Goals and enforcing international laws that protect girls' rights (October 2007).
  - *Mental health needs of people in developing countries* looking at the challenges in developing appropriate mental health provision and the contribution that NGOs are making (April 2007).

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### Written evidence submitted by the Bill & Melinda Gates Foundation

#### 1. *The role of private foundations in development*

Philanthropic foundations make an important contribution to addressing global health and poverty in developing countries. As the Committee's Terms of Reference noted, the Hudson Institute (*The Index of Global Philanthropy and Remittances 2011*) recently estimated that global philanthropy contributed \$53 billion to international development. However the OECD estimate was much lower (\$22 billion). The Hudson Institute report shows that ODA to developing countries was \$120 billion in the same year (2009), remittances by private individuals was \$174 billion and private investment was \$228 billion.

In order to maximize their impact, philanthropic organizations tend to seek out the critical gaps in what others are doing. It often makes sense to fund what others are not funding; to be different, catalytic and innovative.

Different philanthropic foundations achieve this in different ways. Many focus on supporting civil society organizations, rather than funding governments in developing countries. Foundations may be innovative in whom they fund, what type of issues they address, and in how they provide their assistance. In addition, many philanthropic foundations are more risk tolerant than other types of organizations. There are many different models and this additional diversity maybe one of the most crucial contributions which the independent philanthropic sector can make to the field of international development.

The Bill & Melinda Gates Foundation seeks to make an impact by being focused, innovative and catalytic.

The Gates Foundation focuses around half of its resources on global health issues. This means that although we would rank as about the 15th largest donor compared to OECD countries, when we reported our 2009 global health grants to the OECD this made the Gates Foundation the third largest international donor of aid to health after the United States and the Global Fund to Fight AIDS, Tuberculosis and Malaria. Our other areas of focus in international development are agriculture, financial services and sanitation.

In Bill Gates' 2010 Annual Letter, he focused on the role of the Gates Foundation as an innovator and said that "Melinda and I see our foundation's key role as investing in innovations that would not otherwise be funded... Our framework involves funding a range of ideas with different levels of risk that they could fail. The ones with low risk are where the innovation has been proven at a small scale and the challenge is to scale up the delivery. High-risk innovations require the invention of new tools. Some are at the frontiers of science, such as finding a new drug and running a large trial to see how well it works. Other high-risk efforts involve changing social practices, such as persuading men at risk of getting HIV to get circumcised."

The Gates Foundation also seeks to be a catalyst. In determining its funding priorities and strategies, the foundation is careful to consider the unique and limited role that philanthropy can play and aims never to displace the roles of other actors, including governments. As our CEO, Jeff Raikes, said in our latest Annual Report, we are only as effective as our grantees and partners. We know that we alone do not have the scale or capacity to eliminate preventable childhood deaths and extreme poverty. We try to be a catalyst to the private and public sectors, demonstrating new ways to tackle problems, which they can then scale up.

#### MENINGITIS VACCINE PROJECT

In May 2001, the Bill & Melinda Gates Foundation awarded a \$70 million grant to launch the Meningitis Vaccine Project (MVP), a joint project between the World Health Organization (WHO) and PATH (the Program for Appropriate Technology in Health). In 2010, the new vaccine was introduced in three countries in Africa's Meningitis Belt. In June 2011, six months after the successful introduction of MenAfriVac™, Burkina Faso, Mali, and Niger reported the lowest number of confirmed meningitis A cases ever recorded during an epidemic season. New research published in the journal *Health Affairs* shows that widespread introduction of MenAfriVac™ in sub-Saharan Africa could prevent more than 1 million cases of illness and free up as much as \$300 million over the next decade. Even though we provided the initial catalytic funding to the Meningitis Vaccine Project, its success has been a partnership of African and the US governments, the WHO, PATH, an Indian pharmaceutical manufacturer and a Dutch biotech company.

See Annex for basic Facts and Figures on the Gates Foundation.

#### *2. Private foundations' relations with DfID and multilateral organisations, including the effectiveness of co-ordination and how to avoid duplication*

The UK Association of Charitable Foundations has submitted evidence describing how the ACF and its members collectively organize relations with DFID. The Gates Foundation joined the UK Association of Charitable Foundations in 2010, when we opened our European Office in London. We are a member and attend meetings of the ACF's "Issue Based Network" on International Development. These occasionally include meetings with DFID. We also joined the European Foundation Centre in 2010.

The Gates Foundation seeks to have strong relationships with other major players in international development. This allows for appropriate levels of co-ordination. This may include information sharing of lessons, strategic thinking and research findings. It may be co-ordination of investment decisions, including to avoid duplication, or sometimes deeper collaboration on joint programs.

The Gates Foundation has a strong relationship with DFID, dating back over 10 years. Initially this was focused on global health issues, where both of us are major funders of the Global Fund to fight AIDS, TB and Malaria, GAVI, the WHO, the Global Polio Eradication Initiative, UNICEF and other major health organizations as well as research. There have been a large number of contacts between staff in DFID and the Gates Foundation working on health over those years. The Gates Foundation contributed evidence and ideas to DFID's new strategy for Malaria in 2010–11, for example. DFID and Norway invited the Gates Foundation to participate in the mid-term project review of the Program for the Reinvigoration of Routine Immunization in Northern Nigeria, MNCH Initiative earlier this year. Three Foundation staff participated in initial discussions regarding the Mid-term review, in field visits with the DFID and project teams and contributed sub-sections of the mid-term review report in the areas of: routine immunization, maternal, neonatal and child health and health care financing and value for money. The Gates Foundation and DFID have joined with USAID and AusAid to launch the Alliance for Reproductive Maternal and Newborn Health.

Over time, the relationship broadened to working together on global advocacy for international development issues. This includes partnering with the UK's G8 Presidency on Africa in 2005, and launching a new push for Polio Eradication with the UK Prime Minister in January 2011.

In 2006, the Gates Foundation widened its scope in international development to include Agriculture, Financial Services and Water, Sanitation and Hygiene and we are also now partners with DFID in these areas. For example, in February 2011, DFID and the Gates Foundation announced a coordinated effort to support agricultural research projects to help small farmers increase their yields and incomes. DFID and the foundation are working together to identify the projects, and the foundation's Agricultural Development team is managing them.

In 2010, the Gates Foundation opened a European Office in London in order to further deepen its partnerships in Europe, including with DFID. The Gates Foundation and DFID now have identified contact points to co-ordinate the relationship between our organizations.

We feel this relationship allows for excellent co-ordination with DFID. The nature of this co-ordination varies according to need. We do not want to see co-ordination for its own sake. Sometimes we are sharing information or research findings, sometimes we are collaborating to solve shared problems and challenges. As noted above in section 1, we believe that diversity maybe one of the most crucial contributions which the independent philanthropic sector can make to the field of international development. Therefore, when innovation or quick responses are required, complementarity and openness may be more important than co-ordination with other donors. However, when large scale resources are required, co-ordination is vital. For example, we value greatly the cooperative relationship we have had with DFID and other key governments in regard to the recent GAVI Pledging Conference, hosted in June by the UK.

The Gates Foundation has relations with a wide variety of multilateral organisations. In some cases, our relations with multilateral organisations relationships involve funding (such as to the International Fund for Agricultural Development) and sitting on the Board (such as GAVI). In all cases, these relationships involve collaborating with partners to achieve common goals, and advocating for our priorities.

We have been particularly strong supporters of the multilaterals engaged in global health, as have the UK and other governments. But OECD donors significantly outweigh Foundations as a whole in funding to any of the major multilateral organizations. As noted above, philanthropic funding overwhelming flows to NGOs rather than governments or inter-governmental organizations.

Multilateral organizations can be a highly effective way of co-ordinating aid and reducing duplication for all donors. We value greatly the cooperative relationship we have with DFID and other governments in regard to those organizations. We especially appreciate the leadership DFID has shown in its value for money assessment of multilateral organizations, and in other areas as well. The UK's thinking has influenced our actions significantly.

We welcome cooperation with governments and to being influenced by the thinking and evidence of DFID and other leading agencies. In contrast to this kind of leadership by influence, we would be concerned about too rigid a system of coordination. There is room for both the public sector and the private to operate differently, and we don't want to stifle nimbleness and innovation.

### *3. The role and influence of high profile advocates on international development*

In our view, there has never been a greater need for advocates on international development, in donor countries including the UK. In the face of an enormous economic crisis in OECD countries, governments are under pressure to reduce funding for global concerns. At the same time, headline polling is telling politicians that extreme poverty is not on the list of priorities of people in OECD countries. Many donor countries are not meeting their commitments to increase aid.

More recently, the portion of aid the UK spends on development has come under attack by high-profile critics who believe there are more pressing priorities at home. Often times, they may cite an example of an ineffective program as proof that the entire international development budget should be frozen or even cut. The media representation of aid predominantly reinforces the skepticism of many people, by focusing on failures of aid programs and stories of corruption. There is little attention given to stories of aid working, let alone to the full complexity of the realities in developing countries. This representation skews the picture.

As such, there is a greater need for advocates on international development both to keep international development on the national agenda and to balance the way in which it is discussed.

High profile advocates can be particularly effective advocates of course, because of their profile. There is an important need for high profile advocates on international development to balance out the overwhelming focus of the media otherwise on domestic issues and entertainment.

These individuals can shine the spotlight on often ignored issues, and amplify the voice of the many people affected by extreme poverty. They act as advocates, calling for change at a political level as well as energizing and inspiring the wider public by speaking at major events/ conferences, participating in high profile media interviews and communicating via social media channels.

Their presence on the international stage helps to galvanise greater public support and generate more advocates for development. And we need more advocates of all kinds: the public, politicians, grassroots activists, journalists, professionals and high profile celebrities.

In addition, a number of high profile advocates also bring great expertise with them to the discussion of international development. Often working with NGOs or Foundations, they can report back from the field or provide access to technical expertise, data, analysis, providing insights that may not otherwise be available to policymakers on a particular topic.

### *4. The accountability of private foundations and high profile advocates*

As a US based Foundation, the Gates Foundation operates under US regulations applying to private philanthropic foundations, set out in the Tax Reform Act of 1969. The Act exempts grant-making foundations from paying most taxes on their income from investing their endowments. The Act requires grant-making foundations to pay out at least 5% of the value of its endowment each year to for charitable purposes. The Act also requires foundations to file annual returns that are publicly available with detailed financial and programmatic information. The Act also requires us to list every grant made.

In addition, we operate within the relevant regulations set out by governments in the countries where we are working, including in the UK.

Of course, these are minimum standards of accountability and transparency, and we try to go beyond them. We believe strongly that openness about what we do will make us more effective and hopefully help others to learn from our experience also.

One of the major challenges for all funders in international development (public or private) is to be accountable to poor people in developing countries. We want to learn more from others about this. In 2009, we anonymously surveyed all of our grantees in 2009 and published a summary of the results. We have committed to doing this on a regular basis going forward.

We primarily want to be accountable for our results and impact. We invest significant resources in assessing the impact of our investments, both on a grant-by-grant basis, as well as looking at the overall effectiveness of program areas, like HIV/AIDS and agriculture. We engage external experts to review our proposed grants and evaluate their impact. We publish the results of research and evaluation on our website.

A few years ago, we created external advisory boards for each of our program areas. We publish information about our strategies and grant making on our website.

We continually try to improve the information provided on our website. We welcome suggestions on the most important types of information people would like the Foundation to make easily accessible and digestible.

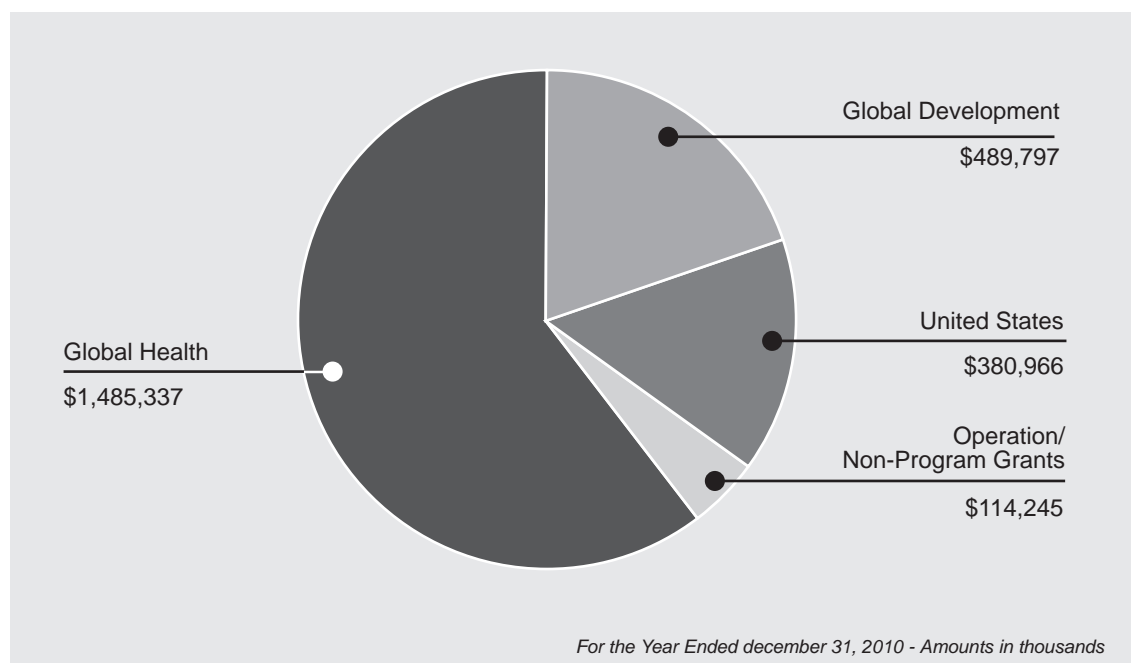
We believe that transparency of all data for international development funding needs to be improved. The Gates Foundation now reports all of its global health funding to the OECD Development Assistance Committee in accordance with DAC procedures. We plan to extend this to all of our funding for international development as soon as possible.

In addition to this accountability imposed on us by legislation and ourselves, we welcome the scrutiny we receive from our peers and the media.

## Annex

### GATES FOUNDATION IN FACTS AND FIGURES

Number of employees: approximately 950  
 Asset trust endowment: \$36.3 billion  
 Total grant commitments since inception: \$25.4 billion  
 Total 2010 grant payments: \$2.5 billion



For further information on the allocation of grants in 2009, 2010 please see our 2010 Annual Report grants summary on line:  
<http://www.gatesfoundation.org/annualreport/2010/Pages/grants-paid-summary.aspx>

Geographic Reach: The foundation supports grantees in more than 100 countries.

September 2011

## Further written evidence from the Bill & Melinda Gates Foundation

### NOTE ON VACCINE COST EFFECTIVENESS

#### INTRODUCTION

During the oral evidence session of this Inquiry, on 8 November 2011, Hugh Bayley MP asked a number of questions about vaccine cost effectiveness and asked for a further note from the Bill & Melinda Gates Foundation. Mr Bayley's key questions were:

- How does the Gates Foundation make choices between funding different life saving interventions?
- How does the Gates Foundation make choices between funding more expensive new vaccines and cheaper, older vaccines?

In addition, the Committee asked the Foundation to comment on Simon Maxwell's blog, *Is vaccination good economics as well as good politics?*

This note sets out our views on these issues, which we would be happy to discuss further with the Committee, Mr Bayley, and/or the Committee's adviser, Simon Maxwell.

#### MEASURING COST EFFECTIVENESS

It is important to begin by making a few comments on how cost effectiveness is measured. Maxwell is right when he says that measuring cost effectiveness is complicated. Cost-effectiveness analysis depends on how one frames the analysis, eg whose costs, which benefits, what time frame, base year for costs, the choice of discount rate etc.

It is therefore vital to compare interventions using the same method. In Simon Maxwell's blog, he refers to the two main outcome measures used in cost effectiveness analyses. It is important to not to confuse these two different measures.

#### *Cost per life saved*

In Simon Maxwell's blog, he says "that each life [GAVI] saved was going to cost over \$US1000. That seemed a lot, especially given what we know about health budgets in developing countries (less than \$US100 per capita for the poorest 100 countries in the world)". It is a logical error to compare these two figures. As the blog says, health budgets are measured per capita; how much is spent per person. But the cost per life saved is not a measure of how much a health intervention costs per person in the population.

If the Committee wants to think about the cost of vaccines relative to developing country health spending, this can be done. Take for example Bangladesh. In Bangladesh, the number of surviving infants is approximately 2.5 million. At \$5 a course for Rotavirus vaccine and \$10.50 a course for Pneumococcal vaccine, immunising all these children would cost around \$39 million per year. The population of Bangladesh is around 150 million. Therefore, the cost per capita of these two vaccines would be about \$0.26 per capita. Compared to total health spending (public and private) of about \$18 per capita, the new vaccines therefore represent about 1.4% of health spending. This shows that vaccines are an affordable part of even modest health budgets, and just how low health budgets still are in the poorest countries in the world.

#### *Cost per Disability Adjusted Life Year (DALY) averted*

For the rest of his blog, Maxwell refers to the DALY measure of cost effectiveness. He says that "the cost per life saved is a crude way to think about the economics, and it is more accurate to use Disability-Adjusted Life Years (DALYs), appropriately valued and discounted." He refers to the excellent Disease Control Priorities Project, which sets out the health "Best Buys in Sub-Saharan Africa":

<i>Health Intervention</i>	<i>Cost (in US \$) per DALY Averted *</i>	<i>Burden of Targeted Diseases (millions of DALYs) *</i>
Childhood Immunization	\$1–5	14–31
Prevention of traffic crashes	\$2–12	6
Malaria prevention	\$2–24	35
Surgical services and emergency care	\$7–215	25–134
Management of childhood illnesses	\$9–218	10–45
Cardiovascular diseases (prevention and management)	\$9–273	5
HIV/AIDS prevention	\$6–377	57
Maternal and neonatal care	\$82–409	30–38

This table shows that childhood immunization is clearly the best buy in Africa (it is also the case in Asia). It also shows that there is quite a wide range of costs per health intervention for most other interventions, reflecting the great variability of costs. However, the DCPD paper was published in 2006, and much of the data are therefore pre-2006. In a rapidly changing world, cost effectiveness data are a moving target.

## COST EFFECTIVENESS OF NEW VACCINES

The Committee were particularly interested in the cost effectiveness of the new Rotavirus and Pneumococcus vaccines that GAVI is introducing compared to the cost of Vitamin A and sanitation.

Below are two recent articles on the cost effectiveness of pneumococcal (Tasslimi *et al* 2011) and rotavirus (Atherly *et al* 2009) vaccines.

Atherly *et al* (2009) estimates a \$7 cost (declining over time) per course of Rotavirus Vaccine and found that the cumulative (over the period 2007–25) cost of averting a DALY is \$43. The cost per DALY averted decreases over time, from a high of US\$450 per DALY averted in the first year to a sustained low of \$30 per DALY during 2017–25, with an overall figure of \$43 per DALY averted during 2008–25. The \$5 per course price announced this year by GSK is likely to improve the cost-effectiveness further.

Tasslimi *et al* found that compared to no vaccination, the pooled cost-effectiveness ratio for the PCV-13 Pneumococcal Vaccine was \$77–\$105 per DALY averted in GAVI-eligible countries. Tasslimi *et al* projected the cost of the vaccine over a 10 year period, starting from \$21.57 per course ending at \$12.90 per course. We suspect this estimation to be conservative, as the current GAVI financials report a price per course of \$10.50.

Costs per DALY averted of Vitamin A supplements are \$6–12 (DCPP) and for Sanitation vary according to interventions and context: \$11–270 (DCPP).

The Committee can therefore see that the costs of these new vaccines is falling, compared to the earlier estimates cited by Maxwell. They are much lower than the upper end of the range of cost per DALY for sanitation, and a little higher than the cost per DALY for Vitamin A supplements.

## BRINGING DOWN THE PRICES OF NEW VACCINES

The Committee can see that the price of the new Rotavirus and Pneumococcus vaccines are falling, not least because of the demand created by GAVI. However, they are not as low as the traditional EPI (expanded program of immunization) vaccines for tuberculosis, diphtheria, whooping cough, tetanus, polio, and measles.

GAVI's mandate is to ensure countries provide the traditional expanded program of immunization but mainly to introduce new vaccines. GAVI's model is to gradually move the cost of all vaccines in a sustainable way into government's own health budgets. As a result, new vaccines are a large share of GAVI's total budget. The table below is the latest Financial Forecast Update (2011–15) approved by the GAVI Board in July 2011. It shows that Rotavirus and Pneumococcus vaccines represent 56% of GAVI's vaccine programmes.

	<i>Approved/Endorsed</i>	<i>Extensions</i>	<i>Balance of Demand</i>	<i>Total</i>	
Programmes					
Penta	\$1,164	\$215	\$160	<b>\$1,539</b>	
Pneumo	1,080	586	769	<b>\$2,435</b>	
Rota	103		302	<b>\$404</b>	
Other vaccines	198	5	454	<b>\$657</b>	
Total vaccine programmes	\$2,544	\$806	\$1,684	<b>\$5,035</b>	82%
Cash-based programmes	379		729	<b>\$1,108</b>	18%
Total programmes	\$2,924	\$806	\$2,413	<b>\$6,143</b>	100%
Business plan	252	436		<b>\$689</b>	
<b>Total expenditures</b>	<b>\$3,176</b>	<b>\$1,243</b>	<b>\$2,413</b>	<b>\$6,832</b>	

But as the articles show, we can expect the cost of these new vaccines to fall after 2015. This will allow more children to be vaccinated and further new vaccines to be introduced.

GAVI's ability to pool procurement helps it to bring down the costs of vaccines. DFID, the Gates Foundation and others are working with GAVI and UNICEF to develop and implement innovative procurement strategies to help secure long-term supply and further reduce prices for new vaccines.

In addition, the Gates Foundation and others are making a number of investments which are bringing down the costs of vaccination. The foundation has made several investments in developing world manufacturers to increase the supplier base and spur competition. We provide R&D financial and technical support to accelerate the development of vaccines in exchange for the establishment of ceiling prices to make vaccines affordable for GAVI-eligible countries and ensure value for money for donors.

## SETTING PRIORITIES

The Gates Foundation firmly believes in prioritising scarce development resources by supporting the most cost effective interventions. Cost per DALY averted is a major consideration in our decisions about the health interventions we invest in, and for which we advocate. The Gates Foundation provided support for the Disease Control Priorities Project cited by Maxwell, in order to provide the evidence on “best health buys” in developing countries, based on studies that have identified successful and cost-effective interventions. We are supporting a new edition of the DCPP work.

However, as the DCPD says, evidence about what works is only a starting point. As Maxwell also says, “Logically, [Ministers] should start at the top and work down. Practically, they will want to think about the politics as well as the economics, and about feasibility and administrative simplicity. Probably they will find good reasons to invest in vaccines, both old and new. They will also find many good reasons to invest in other interventions to save the lives of poor children.”

Critically, the Gates Foundation also looks at disease burden. As the Committee can see in the table above, an aspirin to prevent heart disease is similar to the cost of managing childhood illnesses, including diarrhoea and vitamin A deficiency. But the burden of childhood illnesses is much higher. And so we focus our efforts on the diseases with the highest burden, especially on children.

It is also important to take marginal cost effectiveness into account. What is the value of each additional dollar spent on a particular health intervention? This must take account of what is already going on. Although traditional Childhood Immunization and Vitamin A supplements are highly cost effective, it would not make sense to allocate *all* ODA (or government health budgets) to these interventions. It would be appropriate to allocate *sufficient* finance to these interventions before continuing down the table of best buys. This explains why, as Jeff Raikes told the Committee, we invest heavily in Nutrition and Sanitation as well as (new and old) vaccines. And all development organisations must also take account of their own comparative advantage.

By combining all these factors, we come to our decision to invest substantially in new Rotavirus and Pneumococcus vaccines. By creating the market, the price for these vaccines has fallen over time to well within the range of health best buys. Pneumonia and Diarrheal Diseases account for 33% of (under five) childhood deaths. And, as we work down the cost effectiveness league table, interventions to prevent and treat pneumonia and diarrheal diseases are much higher than many alternative interventions, even if they are not yet at the very top.

22 November 2011

### Written evidence submitted by the Children’s Investment Fund Foundation

#### THE CHILDREN’S INVESTMENT FUND FOUNDATION

1. The Children’s Investment Fund Foundation (“CIFF” or “we”) is a UK based Foundation which aims to demonstrably improve the lives of children living in poverty in developing countries by achieving large-scale sustainable impact. We believe that every child deserves to survive, thrive and mature into adulthood in a supportive and safe environment. The Foundation has over £1.7 billion in assets and has committed over £100 million in funds to children’s causes in the developing world over recent years.

#### EXECUTIVE SUMMARY

2. CIFF is grateful to the Committee for its interest in the role of Foundations focussing on development and for giving us the opportunity to submit our views. This document summarises our responses to the four issues raised in your inquiry. CIFF believes Foundations working in the development sphere play an important role in improving the lives of many of the world’s least fortunate people. Foundations add value in a variety of circumstances. These range from providing commodities to the most vulnerable and marginalized through community intervention (which because of relative inefficiencies are often overlooked by the larger development agencies) to investments more like those which we undertake at CIFF. CIFF focuses on collaborating with and leveraging the infrastructure and core investments of governments and large agencies, providing the risk capital for programmes that if proven implementable and cost effective can be sustained, and experimenting with approaches to aspects of implementation (such as approaches to effective training) that, if successful, can inform and benefit the larger development community.

3. CIFF has had a very productive relationship with DFID to date. This has been true both in the field, and at the most senior strategic levels within DFID. DFID has guided CIFF in developing strategies that are appropriate to the specific context, brokering relationships, and providing strategic and technical guidance. Increasingly, CIFF and DFID work hand in hand to complement and mutually strengthen each entity’s respective investments.

4. Advocacy is an important aspect of Foundation work as otherwise many of the issues and populations that desperately require attention would remain “off the radar screen”. It is CIFF’s view that the legitimate role of an advocate is to support and share the best and legitimate evidence, hold the community responsible for measuring success with the right indicators, and overall ensure that development remains an important priority for governments. While there is no pure market mechanism for holding Foundations accountable, some aspect of this is reflected in the willingness of committed and respected Trustees, donors and local partners and implementers, including governments, to work with Foundations.

#### *Role of Private Foundations in Development*

5. CIFF believes that Foundations have an important role to play in international development, both where Foundations lead projects and also where they collaborate with other important actors such as donor

governments, developing country governments, multi-lateral institutions, and NGOs. Foundations can be particularly effective in funding innovation, developing and funding new implementation techniques, higher-risk research and programmes, innovative technologies and advocacy. Foundations are willing to accept the higher risk of these projects for the potential of strong results. There is substantial academic and historical evidence that many important social innovations have been developed and funded by the not for profit/NGO sector. In addition some Foundations such as CIFF have a particular focus on the monitoring and evaluation (“M&E”) of our investments to try to maximise the impact of programmes, and also to generate evidence and learning which may be valuable to the broader development community. Our experience has been that M&E can be underfunded or fail to be used for timely course correction in many larger implementation programmes.

6. Foundations have a broad range of interests throughout the international development landscape. It is therefore difficult to make too many generalisations about their role. However, we believe that foundations such as CIFF can take the lead in areas such as collaborating with and leveraging the infrastructure and core investments of governments and large agencies, providing the risk capital for programmes that if proven implementable and cost effective can be sustained, and experimenting with approaches to aspects of implementation (such as approaches to effective training) that, if successful, can inform and benefit the larger development community. Foundations can also support challenging or unpopular areas for research, advocacy or programmatic investments given their ability to take higher risks. For example, CIFF was an early funder of a number of HIV/AIDs-related initiatives in developing countries when such initiatives were quite controversial (but are now mainstream).

7. Most Foundations are not constrained by many of the same political and public relations considerations, legacy funding issues, and some of the security/defence-related considerations which can play an important role in some bilateral and multilateral funding decisions. This also allows many Foundations to be more rigorous and performance-focussed in implementing their granting as they can adjust or re-engineer programmes with fewer concerns about political issues. This allows Foundations to encourage better development practices and performance from implementing organisations. CIFF targets those communities most in need in Africa and Asia regardless of most political considerations. For example, CIFF is currently funding a \$50 million five year programme to prevent mother to child transmission of HIV/AIDs in Zimbabwe where the need is substantial. It is often difficult for governments and multi-laterals to fund such a substantial programme in a politically unpopular country.

*Their relations with DFID and multi-lateral organisations, including the effectiveness of coordination and how to avoid duplication*

8. Foundations interact with DFID on two main levels: (i) with DFID’s on the ground teams on in-country issues, and (ii) with DFID’s senior management team on strategy and policy-related issues, as well as funding initiatives. CIFF has a very productive relationship with DFID on both levels.

9. CIFF’s experience has consistently been that DFID’s on the ground teams in African and Asian countries have been extremely well-informed and helpful to our efforts and those of our partners. This includes providing information about local political, economic and development-related priorities and issues, as well as in often playing a convening role with many actors on the most important issues for our programmes in health and education. We feel that DFID’s visibility, transparency, expertise and credibility improves the coordination of many actors on the ground, thereby reducing duplication of information gathering and un-necessary overlap of programmes. In return, CIFF has also provided helpful programmatic and funding support alongside DFID in key contexts. For example, in Zimbabwe CIFF and DFID have used our respective funding to strengthen the overall health system while focussing on our respective areas of expertise.

10. CIFF has also benefited from the transparency and co-operation of DFID’s more senior staff, both in terms of sharing DFID’s goals, strategies and information as well as DFID’s openness to soliciting and receiving our input. DFID have guided CIFF in developing strategies that are appropriate to the specific context, brokering relationships, and providing strategic and technical guidance. Increasingly, CIFF and DFID work hand in hand to complement and mutually strengthen each entity’s respective investments. Furthermore, CIFF has been invited to participate in a number of development initiatives, including the recent bi-lateral aid review panel and GAVI replenishment related activity.

11. In our experience, Foundations’ relationships with multi-lateral institutions vary in intensity and effectiveness depending on range of factors. In general, many of the largest and most active Foundations actively work to maintain good relationships and frequent contacts with the most relevant international institutions, such as the World Bank, UNICEF, and the WHO. This allows both parties to ensure good co-ordination on strategy, individual initiatives and programmes. Due to the different funding and governance approaches of both Foundations and multi-lateral institutions co-funding and joint programming can take longer and be somewhat complicated and challenging. Both Foundations and multi-lateral organisations should try to be more flexible and creative in order to optimize the opportunities for concrete cooperation and co-funding initiatives.



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*Role and influence of High Profile Advocates on International Development*

12. Advocacy is an important aspect of Foundation work as otherwise many of the issues and populations that desperately require attention would remain “off the radar screen.” While CIFF believes that high profile advocates (both people and institutions) can play a helpful and catalytic role, it is important that they work in co-ordination with the many other actors in development. Furthermore clear mechanisms for accountability should be in place to properly govern behaviours. As mentioned CIFF is particularly interested in developing and sharing the best evidence of effective interventions, holding the community responsible for measuring success with the right indicators, and ensuring that development remains a priority. CIFF is particularly rigorous in monitoring the impact of our projects and we are at the forefront of developing and funding independent evaluations of our advocacy work in both development and the climate change.

13. High profile advocates (such as senior statesmen, high profile philanthropists, and celebrities, and the institutions they represent) can be very helpful at raising the visibility of causes or organisations, encouraging resource mobilisation, or focusing on neglected or under-resourced problems. It is clear that high profile advocacy for selected causes also helps bi-lateral and multi-lateral institutions justify their funding of important causes to their various donors and stakeholders.

14. Despite our positive views on the role which high profile advocates can play, we do accept that care must be taken by all actors in the development space not to irresponsibly pursue inappropriate priorities or to encourage others to do the same. Because Foundations, including some high profile Foundations, have the power to advocate for priorities of their own choosing there is a risk that they can skew the priorities of other donors, and , importantly, recipient governments and multi-lateral institutions. For example, some faith-based Foundations may focus their education and health programmes on solutions which may align closely with religious beliefs. The development community, including DFID, have been very helpful in promoting and disseminating initiatives such as the Copenhagen Consensus and the Millennium Development Goals in order to capture the expertise of many of the leaders in the development field and to try to align the priorities of all actors, including Foundations, around the most pressing issues and the most effective solutions.

*Accountability of Private Foundations and High Profile Advocates*

15. UK Foundations like CIFF are held accountable by a number of governance, regulatory and peer review mechanisms. CIFF believes UK Foundations are highly accountable in both the near and longer terms-term in ways which provide substantial benefits for the UK and global development agendas. In the short-term, Foundations involved in development activities are held accountable to their aims by an active mix of their founders, donors, Trustees and the Charity Commission. These stake holders provide an interested and effective web of advice, oversight, and encouragement to focus on effective and impactful activities. CIFF feels this is particularly true of the small number of large UK Foundations which disproportionately contribute to the UK’s development activities. CIFF files publicly-available annual activity report, including detailed financial accounts, with both Companies’ House and The Charity Commission. In addition, most significant Foundations work through local implementing agencies, including government agencies, which are chosen in part for their strong sense of the local priorities, protocols and practices. CIFF only works with local governments on projects which they deem to be priorities. This interaction substantially increases our accountability as well as increases the likelihood of programmes being sustainable in the longer-term. In addition, CIFF’s Trustees and founders are highly focussed on delivering and measuring the impact of each of our programmes. More than most Foundations we fund independent evaluations to determine the most effective means of delivering development outcomes.

16. In the longer-term accountability is also supported because Foundations, especially the largest and most impactful, are generally created, funded, managed and overseen by resourceful and capable people committed to successfully deliver on the causes to which they commit their time, capital and reputations. Peer review information and research is increasingly available on those initiatives and Foundations which have been successful and impactful. DFID plays an important role in supporting and publicizing successful initiatives which further helps promote longer-term accountability in the Foundations which are active in development.

*September 2011*

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**Written evidence submitted by Christian Aid**

**1. INTRODUCTION**

1.1 Christian Aid is a Christian organisation that insists the world can and must be swiftly changed to one where everyone can live a full life, free from poverty. We work globally in over 40 countries for profound change that eradicates the causes of poverty, striving to achieve equality, dignity and freedom for all, regardless of faith or nationality. We are part of a wider movement for social justice. We provide urgent, practical and effective assistance where need is great, tackling the effects of poverty as well as its root causes.

1.2 We welcome the opportunity to provide written evidence to the International Development Committee on the Inquiry into Private Foundations. Christian Aid has worked with private foundations from the UK,

Europe, US and beyond in recent years. This has been an important source of support but comparative to multi and bi lateral support relatively small.

## 2. PRIVATE FOUNDATIONS AND CHRISTIAN AID

2.1 Christian Aid's engagement with foundations includes relationship development and articulating Christian Aid's analysis of poverty, theory of change and distinctiveness, and promoting the importance of southern actors and civil society as representatives of their communities in development processes and as an effective development model. In practice, we manage grants, hold meetings with foundation staff/trustees, engage staff in events and (occasionally) visit overseas projects with foundation staff/trustees.

2.2 Christian Aid has successfully approached and received money from private foundations for over 20 years. This is typical for the NGO sector in the UK. The income from these organisations has steadily grown. In the financial year 2010–11 this accounted for over £2million of Christian Aid's annual income (approx 2% of total income for Christian Aid—\*figures still to be confirmed in annual accounts\*). In 2010–11 Christian Aid received £31.4 million from institutional sources.

2.3 Christian Aid receives a mix of financial support from donors, supporting general work, emergencies or specific projects. The type of support given by foundations depends on the aims and objectives of that foundation, some being broad in their goals, others being narrow.

### 3. *Their relations with multilateral organisations, including the effectiveness of co-ordination and how to avoid duplication*

3.1 Private foundations have become increasingly significant players in the aid sector. The largest foundations within the international sector are highly sophisticated with strong technical capability, deep pockets and hold considerable influence and high level relationships.<sup>1</sup> In the UK, there has not been a long term culture of privately endowed foundations at the scale of the United States, so the sector is more fragmented, arguably less strategic and coordinated with the mainstream development actors. As a development agency and grant seeker Christian Aid and similar organisations have a role to play in helping to ensure that these foundations are aware of the role of others and where assistance may be duplicating or where there are gaps and needs.

3.2 Foundations do not have the same type of stakeholder accountability as multi and bi-lateral donors and can be less risk averse within their specific area of focus. While having the possibility of failing, these approaches may also be extremely successful.

3.3 The range of private foundations and their methodology of working has an impact on their effectiveness. The largest foundations have monitoring and evaluation systems that can demonstrate learning and effectiveness. However, many others do not have this functionality. This can be a particular issue for foundations who choose to provide direct support to smaller in-country NGOs, while lacking impact and monitoring systems.

3.4 Where foundations do choose to provide direct support to in-country projects, INGOs have a role to play in helping foundations understand the need for supporting structures to ensure effectiveness and sustainability as well as helping to prevent unnecessary duplication of systems.

3.5 Christian Aid believes that the best civil society actors have an added value in their analysis of poverty, theory of change and role in framing, developing and coordinating programmes that foundations and multi/bi-lateral organisations can support. While donors can provide an imbalance of resources (focusing too much on one area) in many cases the work can only be undertaken through organisations who can be supported by donors.

3.6 Duplication of work can occur in many situations—an example being after large, rapid onset emergencies. However, this does occur in non-emergency situations as well. One of the more effective methods of preventing this is through in-country communications between the different actors on the local scene, a process that is attempted in emergency-response situations. For long-term development, this does not always work due to knowledge gaps in the actors on the ground and some unwillingness to engage. There are also issues when actors are regionally based or lack enough local presence to be able to participate. As these structures are informal they are currently weak methods of preventing duplication and more should be done to prevent this.

3.7 Co-ordination between large Foundations in the UK is not structured and happens in an ad hoc manner. Christian Aid would see value in the formation of a collective group among larger foundations. This would help to prevent duplication but would also promote learning, best practice, emerging issues and greater understanding of dangers and threats. In the US, the African Grant-makers Affinity Group is an example of a number of grant-makers coming together annually in this way, while also coordinating virtually throughout the year to share ideas and practice. DFID could play a brokering role in sharing its experience with foundations and facilitating such coordination.

<sup>1</sup> Rahm Emmanuel, the relatively new United States Agency for International Development (USAID) Administrator (the CEO) is formerly a senior Director with the Bill and Melinda Gates Foundations.

#### 4. *The role and influence of high profile advocates on international development*

4.1 High profile advocates have the potential for great good in publicising and advocating for structural change with regard to international development.

4.2 The much publicised “Giving Pledge” in the US, led by Bill Gates has had a catalytic impact on some of the most wealthy in the US, leading to significant pledges of support to international development and other issues (circa \$125 billion). High profile advocates have the ability to encourage support not just from the most wealthy but from the general public as well (Comic Relief generated £74 million in 2011 through its fundraising event). Through this means, high profile advocates for international development may help to leverage further funding for international development causes.

4.3 Foundations are increasingly influential with regard to development policy. For examples, Bill Gates has been asked to produce a report for the G20 on development finance, while other foundations have funded think tanks which influence government policy in developing countries. Bringing such innovation to this debate can be positive, but should be accompanied by accountability and transparency with regard to this funding and the ways in which foundations are steering policy.

#### 5. *The accountability of private foundations and high profile advocates*

5.1 Unlike governments who are accountable to their electorate, foundations do not have this natural check and balance. The current role of the Charity Commission could be used to strengthen reporting by foundations over a certain materiality threshold.

5.2 Private foundations are traditionally very keen to avoid paperwork and any type of bureaucracy they may see as red tape. However, for this element of the aid sector to be able to prove their importance and the impact they are having, it would be extremely beneficial to them and their public image if they were able to provide evidence of their impact.

5.3 The accountability of high profile advocates who either own or are associated with foundations is an area that cannot easily be regulated but a strong voluntary sector would be able to work with or challenge any views that are seen as being counter-productive towards those they purport to serve. The government should consider ensuring that the voluntary sector is strong and has a loud enough voice to be able to vocalise challenges in this situation.

5.4 It is important to consider the practices of foundations and their recipients in developing countries. It would, for example be inconsistent if foundations were operating in developing countries to further the cause of development, but not complying both the letter and the spirit of the country’s laws and regulations with regard to taxation.

*September 2011*

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### **Written evidence submitted by the Institute of Development Studies**

#### **OVERVIEW**

The Institute of Development Studies (IDS) is a leading global charity for international development research, teaching and communications. At IDS we work to improve people’s lives through cutting edge research, teaching and communication on accelerating global development. We host a number of research programmes that generate new knowledge that aims to be original, relevant and excellent.

We welcome the opportunity to submit evidence to this inquiry, particularly given the resonance between some of the work that IDS is currently undertaking and the aims and objectives of the inquiry.

IDS is currently leading work on the Bellagio Initiative which is being funded by the Rockefeller Foundation. The project will look at the challenges to promoting human well-being on a global scale in the 21st Century and how philanthropic organisations strategically engage with these challenges. The Bellagio Initiative is comprised of a series of global high level consultations that aim to:

- Explore trends and opportunities in philanthropy and development.
- Formulate a new framework for philanthropy and development for a changing world.
- Mobilising new resources for promoting human wellbeing.

The findings from these consultations will feed into a high level summit in November. Attending the Bellagio summit will be a select group of international development practitioners, opinion leaders, social entrepreneurs, donors and philanthropic organisations chosen for their collective capacity to advance thinking and action on the future of international development and the role of philanthropy.

The key IDS contacts and fellows co-ordinating work on the Bellagio Initiative are:

*Professor Allister McGregor*

Professor Allister McGregor is the team leader of the Vulnerability and Poverty Reduction team at IDS and uses his background in economics and anthropology to study the ways that systems of

governance and the formulation and implementation of development policies impact upon poor people. His most recent work has been on operationalising a social conception of wellbeing as a tool for understanding the persistence of poverty and as a means of critically evaluating development policy and practice.

*Dr Noshua Watson*

Dr Noshua Watson is a Research Fellow at the Institute of Development Studies in the Globalisation Team, specialising in business and development. She is an organisational economist by training, and was previously a business journalist before moving into research. Her research focuses on the role of the private sector in development, including private funding of aid, private provision of basic services, corporate philanthropy, corporate social responsibility and measuring CSR performance.

## EVIDENCE

The following evidence addresses each of the key points that are set out in the inquiry's terms of reference.

### 1. *The role of private foundations*

Private foundations and philanthropic giving have an important role to play in helping to achieve international development priorities by funding global public goods. Although the role of private foundations and philanthropic giving in international development has increased in recent years, it is still comparatively small in comparison to aid provided in more traditional ways such as from one country to another. To provide another example, philanthropic giving for international development is one-fifth that of overseas development aid from the OECD.

As the number of actors and sources of funding for international development increases, we need to build our understanding of the key players and the impact of such diversification and greater complexity on development cooperation. As part of the Bellagio Initiative, IDS is in the process of developing maps of the major players who fund certain global public goods.

The first map is related to malaria prevention and control. Global spending on malaria prevention and control was more than US\$5.5 billion in 2010. The biggest spenders were bilateral government donors, international financial institutions and public-private partnerships such as DFID, USAID, Global Fund and the World Bank. But for organisations not specifically devoted to malaria and related issues, malaria spending makes up less than 10% of their overall aid spending. When it comes to global health issues, population control, water supply and general health initiatives take precedence in funding. Education initiatives are also funded more than malaria. When it comes to philanthropic organisations, only the Gates Foundation plays a major role in funding malaria control and prevention initiatives.

Philanthropic organisations have traditionally funded those who can find “best shot” solutions which can then be distributed to all or scaled up, like vaccine discovery. For example, a number of foundations contribute to Medicines for Malaria Venture (MMV), which is a public-private partnership devoted to developing and distributing malaria treatments that would otherwise be commercially unviable.

However few foundations have the resources of the Gates Foundation, so what more can philanthropies do? It's not possible to provide global immunity from diseases when some countries have limited or weak resources to enable the distribution and access for the poorest to new treatments. Philanthropic donors could help mitigate this problem by supporting these “weakest link” actors by ensuring that they have sufficient resources to participate in initiatives and follow protocols. MMV used its philanthropic funding to collaborate with government agencies, non-governmental organisations (NGOs) and other partners to build markets in poor countries for malaria treatments and improve distribution through both public and private sector outlets.

The second area that we looked at was the funding of peace and conflict initiatives (US\$2.1 billion or more), which is also dominated by governments and international institutions such as the European Commission, Organisation for Security and Co-operation in Europe and UNDP. But the organisations that fund peace initiatives are more focused and spend a larger fraction of their budgets on this area.

In this area, there is less of a discrepancy between philanthropic organisations' donations and aid from more traditional donors. Among the foundations that detail their spending, the John D. and Catherine T. MacArthur Foundation is a major giver. There are other major philanthropic players in the space such as the Open Society and the Skoll Foundation. However they do not break out what they spend specifically on peace and conflict initiatives.

In all areas of development, the number of players is multiplying and globalising. The opportunities for philanthropy lie in bringing together people and organisations which haven't worked together before and helping to set standards and agreements. Philanthropic organisations and private foundations can promote collective action and even fund much-needed innovations for communication and cooperation. Their work also underlines and promotes the idea that the provision of global public goods is dependent on the willingness of the most fortunate to give to the less fortunate.

How this aid actually contributes to development and wellbeing depends on how aligned donors' intentions are with recipients' needs. It also depends on recipients' capacities to use that aid. Because they are not

responsible to the voting public, philanthropies can more closely meet recipients' needs and help them build capacity.

Yet at the same time this lack of accountability also poses a challenge. We need to ensure that private foundations' activities are transparent and aligned with other key donor activities and priorities. There are also serious issues around private foundations' lack of legitimacy due to the private and undemocratic nature of their decision making processes. These processes need to be inclusive and actively seek to engage with local communities as well as other donors, NGOs and civil society organisations.

The innovation and increased sources of funding that new development actors such as private foundations bring to the mix should be welcomed. However the development community needs to think about whether a new framework for co-operation is necessary if we are to avoid duplications and ensure the most effective development interventions.

## *2. Their relations with DfID and multilateral organisations, including the effectiveness of co-ordination and how to avoid duplication*

In all areas of development, the number of players is multiplying and globalising. Alongside more traditional bilateral donors and multilateral organisations, the role of private foundations, individuals and celebrities, philanthropic organisations and the private sector is increasing. Countries such as Brazil, Russia, India, China and South Africa are also becoming donors. The proliferation in the number of actors on the development stage was first recognised by the Paris Declaration, and there is consensus among the international development community that it is time for a new framework for development co-operation to emerge.

In the UN's Millennium Development Goals report in 2010 it notes that "... *unmet commitments, inadequate resources, lack of focus and accountability, and insufficient dedication to sustainable development have created shortfalls in many areas*" with regard to meeting the Millennium Development Goals.

This is despite an increase in funding and level of focus from a range of development actors. Many have asked why this has happened, and cited a possible explanation as a lack of coordination between donors. So while the Millennium Development Goals provide a common framework, donors' aims and objectives in meeting them, as well as the political, economic and social drivers that motivate them vary widely. The way in which they monitor and evaluate interventions also differs significantly as there are no common standards of measurement.

A new development co-operation framework needs to be agreed which:

- Sets out a clear list of overarching common goals.
- Promotes openness and transparency in the aims and objectives of different actors, and a commitment to democratic decision-making processes.
- Recognises the value of partnership working and the range of skills and experience different actors bring and that can stimulate new and innovative approaches.
- Sets out a clear set of incentives for co-operation and partnership working.
- Defines some common standards of measurement to ensure effective and targeted interventions.

## *3. The role and influence of high profile advocates on international development*

Well known personalities can undoubtedly raise the profile of particular international development issues and engage with a wider audience than may have been possible otherwise. However, the linkage of a particular cause to a celebrity can have its downsides.

- There is a danger that the profile of the cause may wane alongside a decline in the celebrity's star power or commitment to the issue.
- Issues can tend to be oversimplified and communicated in isolation.
- Global issues can start to be driven by the charisma of particular celebrities.

It is also important that we make a distinction between the different types of high profile advocates:

- Celebrities who have no official political or diplomatic role such as Bob Geldof or George Clooney.
- High profile individuals who hold or have held political or diplomatic positions such as Bill Clinton or Nelson Mandela.

More attention needs to be paid to understanding these different models of high profile advocacy and the impact, both positive and negative, they can have. We also need to build our understanding about those companies advising foundations and individuals on their approach to philanthropic giving, and who are responsible for designing and implementing strategies for them.

#### 4. *The accountability of private foundations and high profile advocates*

As highlighted earlier in this evidence, there are clearly some issues around the accountability and legitimacy of private foundations and individuals in relation to international development interventions that need to be addressed. We need to encourage a climate of openness and transparency within a new framework of common goals agreed by all development donors and actors. We also need to ensure that private foundations establish democratic decision making processes, which are inclusive and involve local communities.

However increasing accountability poses several significant challenges:

- A lack of trust in the public sector or governments to use funds effectively. Ineffective systems of public administration also mean there is very limited data on philanthropic giving and the role of private foundations.
- Information from private foundations themselves that defines their aims and objectives is not widely available in the public domain.
- There is limited data available that tracks new types of direct giving such as microfinancing. Again this is due to ineffective systems of public data collection.

While these issues need to be addressed it is also important to remember that private foundations and philanthropic can bring exciting new sources of funding and impetus to achieving international development priorities

September 2011

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### Written evidence submitted by Nuffield Foundation

#### SUMMARY

1. This submission describes the international work of the Nuffield Foundation as an example of a private foundation's policy and practice in international work. The Foundation, together with its subsidiary Trust, the Commonwealth Relations Trust, has provided £5.5 million over the past 10 years to build professional and academic capacity in Eastern and Southern Africa.

2. The Nuffield Foundation is one of a group of around 50 mid-sized UK foundations supporting international work, with spending in the range between £50K and £10 million per annum. The focus of support for most of this group is on NGOs and the voluntary sector. The Foundation's support of professional and/or academic capacity building projects is unusual.

3. The members of this group have accumulated considerable experience and expertise in defined areas. The Nuffield Foundation, with other UK foundations, has commissioned studies to map UK private foundations' support for international funding. The latest study, due for completion in October, has been summarised in a separate submission to the Select Committee from its author Professor Cathy Pharoah of Cass Business School.

4. UK foundations are a very diverse group with different interests and objectives. This, coupled with their independence, results in them being able to fund in ways not open to public funders in terms of style and topic. They tend to support international work that complements work supported by DFID and multilateral organisations—by focussing on smaller scale initiatives or issues not addressed by these larger funders.

5. Increased dialogue between foundations and DFID could benefit both parties' knowledge and understanding of each others' funded work and *modus operandi*. There is also potential for collaboration.

#### 1. THE NUFFIELD FOUNDATION AND INTERNATIONAL DEVELOPMENT

##### *The Nuffield Foundation*

6. The Nuffield Foundation is a charitable trust established in 1943 by William Morris, Lord Nuffield, the founder of Morris Motors. The Foundation works to improve social well-being by funding research and innovation in education and social policy and by increasing research and professional skills—both in science and social sciences—through its capacity building programmes. The Foundation focuses its resources on issues that it considers will benefit from independent scrutiny and support. Current priority areas include Science and Mathematics Education, Children and Families, and Law in Society. It seeks to maximise the impact of its direct grant making by facilitating seminars and meetings to disseminate outcomes to policy makers and practitioners and by networking and liaising with key stakeholders.

7. The Foundation spends around £11M per annum. It works mainly in the UK, but also in Europe and in Eastern and Southern Africa. Its income comes from the return on its investments—it does not fundraise or receive funding from the Government—and it is therefore financially and politically independent—but it does fund collaboratively with other foundations and sometimes research councils.

8. The Foundation is governed by a board of seven trustees who are all eminent academic and public figures. It employs some forty staff who work on its grant programmes and in-house projects.

9. As a private charitable foundation Nuffield is regulated by the Charity Commission. The submission to the Committee from the Association of Charitable Foundations gives further details on the legal status and accountability of foundations.

#### *The Nuffield Foundation's support for international development*

10. The Nuffield Foundation believes that all countries need qualified professional personnel for the development of their economies and the delivery of health, education and other services. In Africa, skills and knowledge are essential if countries are to find their own solutions to their own problems in areas such as health, food security and energy. With scientific skills and knowledge, African countries can begin to make the most of their natural resources, and utilise technology to accelerate economic growth. And with the development and implementation of good policies for service delivery, based on evidence of what works and what does not, essential basic services can be provided for all.

11. The funding needed to support this scale of human resource development is huge, and what the Foundation can contribute is very small. But by focusing on a level of expertise that few other funders currently support, the Foundation believes we can directly increase expertise in targeted areas. The Foundation seeks to draw in further support by working collaboratively with other funders wherever possible and disseminating the outcomes of this investment.

12. The Nuffield Foundation has supported professional capacity building internationally since its inception in 1944 and has focused its efforts in Eastern and Southern Africa since 1990. Its international programme funds projects with the potential to deliver long term development of expertise in health, education and social welfare within the country/region concerned. The key principle of this international programme is partnership; these projects are developed and implemented by UK and African universities and NGOs working in partnership, often together with African government departments.

13. From 2000 to 2008, most of the funding was distributed through a competitive scheme run every two years. Towards the end of this period the Foundation also embarked on an initiative with four other European Foundations to jointly fund research capacity building for African scientists in neglected tropical diseases. (See para 15).

14. In 2009 the Foundation commissioned an independent review of the previous eight years grantmaking. The full review, *Capacity for Change*, can be downloaded. In comparing the Nuffield Foundation's international work with that supported by other funders the review found that the Foundation's support of professional and/or academic capacity building projects was unusual. Amongst UK foundations the focus tends to be on the work of NGOs and the voluntary sector. Other key findings—on the need for a more candid theory of change, a more focussed thematic area and clearer criteria based on the indicators of success identified by the review—resulted in the re-framing of the programme. Our current programme maintains the focus on Southern or Eastern Africa but now concentrates on capacity building in health, science, engineering, technology and mathematics. And the positive experience from funding in collaboration with other European foundations has encouraged the Foundation to seek further opportunities for such collaboration.

#### *Work funded by the Foundation over the past ten years*

15. Over the past 10 years the Foundation has made grants to 32 projects, 9 of which are currently active. Totalling £5.5 million, this funding has supported work in 11 African countries. The following three examples have been chosen particularly to illustrate partnerships between funders and stakeholders.

- To address the dire shortages of psychiatrists and psychiatric nurses in Kenya, the WHO Collaborating Centre, at Kings College London's Institute of Psychiatry, in partnership with the Kenyan Ministry of Health, the Kenya Medical Training College (KMTTC) and the Kenyan Psychiatric Association developed a programme to train primary care workers to provide mental health care. More than 2000 primary care workers plus their medical supervisors have been trained and the curriculum has been embedded into pre-service training. A randomised control trial funded jointly with DFID shows a statistically significant shift in knowledge in those trained and further surveys demonstrated the positive impact of the training on the treatment of patients.
- To address the severe shortage of doctors, Malawi relies heavily on paramedical officers to provide the bulk of healthcare. The Tropical Health and Education Trust worked with Queen Elizabeth Central Hospital in Malawi to establish a Clinical Orthopaedics Diploma course in Malawi. Jointly funded with DFID, by 2007 117 orthopaedic clinical officers had been trained, of whom 82 were in clinical practice. The course is now funded by the Malawian Ministry of Health.

- Together with four other European foundations, the Foundation founded the European Foundation Initiative for Neglected Tropical Diseases Fellowships Programme aimed at building a group of African researchers in neglected tropical diseases and strengthening African research institutions in the process. The other foundations in the consortium are The Calouste Gulbenkian Foundation, Cariplo Foundation, Fondation Merieux, and Volkswagen Foundation. The 19 postdoctoral researchers funded under two grantmaking rounds are involved in biomedical or related public health projects that address urgent and important translational research questions and are based on African needs and priorities, rather than northern research interests. Although their projects are not yet completed, to date these researchers have produced 25 internationally peer reviewed papers. A third round of grants will be made in early 2012.

### *Monitoring and Evaluation*

16. The Foundation has several ways of monitoring its international grants, ensuring that funds are spent for the purposes agreed and that all is going to plan; firstly through the annual self-reporting required by grantholders, but also through the regular, less formal, contact between Foundation staff and grantholders that allows for discussion and change as and when any difficulties arise. The Foundation is working with applicants and grantholders at early stages of the work to help them identify ways of measuring the effectiveness of the work.

## 2. THE ROLE OF PRIVATE FOUNDATIONS IN DEVELOPMENT

### *UK foundations*

17. In 2006 the Foundation, together with Paul Hamlyn and Baring Foundations, commissioned New Philanthropy Capital to review for the first time the work of foundations in the UK on international development. This was published under the title *Going Global*. This is being updated in a new publication (commissioned by the same funders) and has been summarised in advance of publication in a separate submission to the Select Committee from its author Professor Cathy Pharoah of Cass Business School. Professor Pharoah's research shows that collectively, foundations are major funders of work by civil society. It is likely that private foundations in the UK are contributing well over £250 million per annum. The great majority of this will be to civil society organisations.

18. A number of large foundations have developed considerable expertise in funding international development, and are globally important players in the field. A handful, such as CIFF, Gates and Wellcome Trust, has become very well-known. Beyond these familiar names, there are many other foundations operating on a smaller scale but contributing in different ways to the overall impact of private foundation financial support for international development.

19. Foundations are a very diverse group with different interests and objectives. This, coupled with their independence, results in them sometimes funding in very different ways to public funders in terms of both style and issue. They have more flexibility to respond to the need for changes in planning and timetabling, can fund on a smaller scale and support work that might be politically difficult or outside the mainstream. Their trustees decide what should be funded, the only restriction being the terms of their Trust deed.

20. Many, probably most, UK Foundations fund their international work through NGOs—either INGOs or, less likely but increasingly so, in-country NGOs. Much of this work is likely to be on too small a scale for DFID to consider and Foundations can therefore play a significant role in fostering the diversity of small advocacy or service delivery organisations that might otherwise be unable to function.

21. The Nuffield Foundation's Africa Programme Head, together with the Director of the Baring Foundation jointly convenes ACF's interest group on international development, organising meetings on specific operational or thematic issues. The submission from the Association gives further details. Several of the group's meetings have been addressed by ministers.

### *European Foundations*

22. Through the European Foundation Centre (an umbrella body representing some 300 European Foundations) the Foundation Director and the Africa Programme Head meet regularly with other European Foundations supporting international development. The picture of foundations across the rest of Europe is broadly similar to the UK. We are aware that the European Commission and several European governments, including France and Portugal, have expressed interest in exploring relationships with foundations. The Nuffield Foundation is currently part of a small group responding to an EC request to scope the scale and nature of European Foundations' involvement in international development.

## 3. RELATIONSHIP WITH DFID

23. For all the differences between the Foundations and DFID, they share the same fundamental aims. Both are trying to improve well-being of people in poor countries—and, as some of the Nuffield Foundation's grant examples have shown, they are sometimes funding the same work.



24. Where work is receiving funding from both from foundations and DFID or other bilateral or multilateral organisations it is usually because the organisation has sought and secured funding separately from the respective bodies—rather than as a result of active planned collaboration between the funders from the outset. While we do not think this leads to duplication of funding we think there would be advantage if there were better communication and cooperation between different funders.

25. Further to this, while there is contact between DFID and the larger foundations such as Gates and Wellcome, there is at present little liaison between DFID and the mid sized Foundations. We believe that both sides would gain from better contact. For example, most Foundations do not have an in-country presence and could benefit greatly from DFID's technical expertise. Similarly, DFID could find reports from work that the Foundations are funding of interest.

26. The Nuffield Foundation recommends that DFID explore with a wider group of private foundations how they might share information about their respective work and plans. It further recommends that DFID should explore collaborative funding opportunities with foundations—particularly where foundations have the human resources to manage funding too small for DFID to administer.

*September 2011*

### **Written evidence submitted by Sir Ian Wood CBE, The Wood Family Trust**

1. Born and educated in Aberdeen, Ian Wood graduated from Aberdeen University in 1964 with a First Class Honours Degree in Psychology. In 1984 he was awarded an Honorary Degree of LL.D from Aberdeen University, an Honorary DBA from Robert Gordon University (RGU), Aberdeen in 1998 and in 2002 an Honorary Doctor of Technology from Glasgow Caledonian University.

2. Chairman and Chief Executive, John Wood Group PLC since January 1982 and Chairman since January 2007, the company is quoted on the LSE and employs 29,000 people in 50 countries worldwide with annual sales of US\$5 billion. Chairman of J W Holdings Limited, one of Scotland's largest fishing groups and Chancellor of RGU.

3. Current and past appointments: membership of PILOT (joint Government/Oil & Gas Industry Initiative) and joint Chairman of the Oil & Gas Industry Leadership Team; Chairman of Scottish Enterprise; Chairman of the British Trade International Oil & Gas Export Board (previously OSO); member of the Scottish Sea Fisheries Council.

4. Awards: Joint winner of Scottish Business Achievement Award Trust in 1992; winner of the Service Category Award in 1992 Corporate Elite Leadership Awards; Elite "World Player" Award from Business Insider in 1996; Chief Executive of the Year Award from Business Insider/PriceWaterhouseCoopers in 2003; Entrepreneurial Exchange Philanthropist of the Year award in 2008; inducted into the Offshore Energy Centre's Hall of Fame, Houston in 2009 and awarded the Energy Institute's Cadman Medal in 2010.

5. He was awarded the CBE in the 1982 New Year's Honours List and a Knighthood in 1994.

Chairman of The Wood Family Trust (WFT). Established by Sir Ian and family in 2007 with an initial commitment of £50 million. WFT is a Scottish-based charity with a global outlook.

### **SUMMARY OF THE WOOD FAMILY TRUST AND KEY SUB SAHARAN PROGRAMMES**

6. The Wood Family Trust's (WFT) chosen objectives are (1) making markets work for the poor in Sub Saharan Africa (anticipated to be 75% of the Trust's investment), and (2) encouraging young people to become enterprising, independent, tolerant and caring members of society in the UK (anticipated to be 25% of the Trust's investment). The Trust generally applies the principles of venture philanthropy investing both money and expertise to achieve systemic change within its chosen areas. Sometimes WFT leads projects and in others WFT takes an active supporting role with strategic partners. WFT is generally involved in developing the principles of the project, the investigation and implementation plan, and training, guidance and performance evaluation to enable sustained and successful programmes.

7. Venture philanthropy is very similar to a business in that the success of our efforts to provide philanthropic support is very dependent on the quality and commitment of our management team and staff. We have an excellent team both in the UK and Africa. Under the overall leadership of Jo Mackie, with David Knopp in Africa, we have a professional, innovative and dedicated team.

8. WFT has the ability to utilise a range of financing tools within its philanthropic programmes ranging from grants to public institutions, contracts with consultants, debt, equity and loan guarantees. This means that the right financial tools can be utilised to ensure that WFT does not over subsidise and distort the commercial signals in the markets in which we operate.

9. The Trust's approach to long term poverty reduction in Sub Saharan Africa is to facilitate an increase in trade and employment through supporting the development of markets in growth sectors. Our approach is to analyse sector value chains and unblock key constraints from primary production through processing,

distribution, and eventually to the market and consumer. Our initial countries of focus are Tanzania and Rwanda, with the intention of extending this over time to other countries in East and West Africa.

10. We believe we will only effect change by helping local people and communities to help themselves in a way that is consistent with their culture and way of life. Money alone cannot buy the vision, but the effective application of market analysis, quality minds, effective delivery partners and local private enterprise will, we believe, create sustainable change.

11. “*Chai—Kwa Maendeleo ya Tanzania*” (*Tea—For the development of Tanzania*). “Chai” was launched in September 2009 with our partners at the Gatsby Charitable Foundation and we intend to invest up to \$9 million, over a six year period, in the Tanzanian tea sector with the aim of doubling smallholder tea production, increasing farmers’ margins and increasing the competitiveness of the sector.

12. Chai is managed in Tanzania by James Foster an ex On the Frontier (OTF) consultant with numerous years experience of working in value chain development and Mathew N’genda a former Kenya Tea Development Authority Factory manager with strategy support from Richard Fairburn (former Head of Unilever Tea in East Africa).

13. Chai has been developed in Partnership with the Government of Tanzania and the local private sector and public tea institutions and supports the actions in the Tanzanian Tea Development Plan—a local committee of relevant stakeholders has also been developed as an advisory group.

14. Tea is the fourth largest export crop in Tanzania with \$28.7 million in export earnings. Approximately 30,000 smallholders are directly engaged in tea production and from the combination of estate workers and smallholder production; the sector supports over 50,000 families. The Tanzanian tea industry however faces a number of significant challenges:

- Low smallholder productivity and yields—currently the national average is 900 kg made tea per hectare (compared to 2,000 kg in Kenya).
- Limited access to material inputs and quality extension services.
- Poor regulation of the industry.
- Lack of business experience of farmers.
- Low green leaf price and poor margins for farmers—small holders are paid 25% of the made tea price.
- Poor rural road and green leaf collection infrastructure.
- Low quality of made tea and poor reputation on world markets.
- Lack of smallholder ability to represent their business interests in the processing factories.

15. In the first year of operation (2009–10) WFT conducted extensive research into the Tanzanian Tea Sector which included: a bio physical mapping of Tanzania—which identified the optimum areas for tea production; a cost benchmarking exercise of the Tanzania tea industry in comparison to its East African competitors; a study to identify sustainable options for the delivery of agronomic and business support services to smallholder tea farmers; a survey of tea farmer perspectives; and an assessment of the fertilizer input supply market.

16. Based on the above analysis, a number of priority actions were identified and our operations are now focused on:

- Improving smallholder tea farmers’ yields and productivity, by seeking to increase access to quality extension and business services.
- Supporting the strengthening of smallholder member associations.
- Encouraging the introduction of a market-based pricing system for green leaf.

17. In our second year of operation, we have moved from analysis to implementation and have started a number of key activities:

*Chai Innovation Fund*—The innovation fund is directed at processing factories enhancing their range of support services to the smallholder farmers to improve their operations and yield. Factories must provide at least 50% financial contribution to the programme.

18. In addition to the Chai Innovation Fund, significant activity has taken place to design and tender a pilot to strengthen Tea Farmers’ Associations as well as to support the Tea Board of Tanzania to relook at the greenleaf pricing mechanism for smallholders. Additional activities are planned to further develop the innovation fund, expand the Tea Farmer Association work across Tanzania, develop smallholder factory share ownership, support the regulation of the sector and address end market opportunities.

19. *Imbarutso—Win Win for Rwanda Tea*. “Imbarutso” is WFT’s second Making Markets Work for the Poor project in Sub Saharan Africa, launched in March 2011, and is again in partnership with the Gatsby Charitable Foundation.

20. Imbarutso is managed in Rwanda by Garron Hanson an ex On the Frontier (OTF) and Mckinsey consultant with numerous years experience of working in value chain development with strategy support from Richard Fairburn (Former Head of Unilever Tea in East Africa).

21. “Imbarutso” will seek to invest up to \$9million over a six year period with the aim of:

- increasing smallholder net income;
- turning smallholder farmers into viable and efficient Micros & Small Enterprises (MSE’s); and
- increasing the competitiveness of the sector.

22. Tea is Rwanda’s second most significant export earner, providing among the highest quality tea in world markets. Projected to exceed \$60 million in revenues this year with production spread throughout 11 Districts, it is a vital source of rural income and livelihood for over 30,000 smallholder businesses and 60,000 households. The sector is undergoing a historic period of development, with a number of new factory owners, two further factories undergoing privatization, five Greenfield sites under development, rehabilitation of privatised factories, and OCIR THE (The Government body responsible for Tea) taking on the regulatory function.

23. In looking to successfully develop Rwanda’s tea industry, there are two important competitiveness issues. Firstly, Rwanda produces 24,000 MTs per annum of made tea—approximately 7% of Kenya’s annual output. Even with a planned increase to 35,000 MTs by 2015, Rwanda’s relative production will remain modest. Secondly, through existing and new planting, about 65% of Rwanda’s tea will come from smallholder farmer production which is sold to the large tea plantations that have a monopoly position in their immediate catchment area.

24. To expand the area of tea under production and significantly increase the volume and quality of tea, a win-win balance must be achieved whereby smallholder farmers have the appropriate financial incentive and professional support services, while factories are able to improve their throughput and profitability. This has the potential to transform the 30,000 smallholder farmers, many of whom currently operate at or below subsistence level, into 30,000 viable and efficient MSE’s capable of significantly improving their rural economies.

25. To achieve this win-win position, we will work with Government, factories, co-ops and smallholder farmers to address a variety of constraints along the value chain from production to end market. At the smallholder farmer level, support will focus on enhancing the capabilities of the Cooperatives to provide higher quality and more comprehensive agronomic services, farm management and production logistics and enable them to better represent the smallholder farmer in commercial negotiations. There’s also a need to achieve a fairer distribution of the value chain proceeds between the producer and processor to encourage the smallholder farmers to invest in increased yield, quality and quantity. Additionally, as the smallholder’s capacity and understanding of the tea business develops, there is the potential to increase their stake in the processing sector.

26. WFT planned activities for Rwanda include: Matching Grants with the private sector, co-operative development, support to the Rwanda tea factory privatisation process and end market development

Moving forward WFT will add a number of additional sector projects to our portfolio and actively seek co-funding partnerships.

#### WOOD FAMILY TRUST RESPONSES TO KEY INQUIRY AREAS OF THE INTERNATIONAL DEVELOPMENT SELECT COMMITTEE

*WFT relations with DFID and multi lateral organisations including the effectiveness of co-ordination and how to avoid duplication*

27. WFT’s key differentiating factors as a small British foundation are four fold:

- (a) A small dynamic team of expert staff running and managing the programmes in the countries we operate. This allows funds to be carefully managed from the initial analysis and project design to the due diligence process and active monitoring and evaluation management. Staff also play a key role to develop private and public sector industry relationships as well as influencing and working with key Tea stakeholders.

David Knopp a former Deloitte and Emerging Markets Group (EMG) consultant heads up the Sub Saharan operation with a team of skilled country managers, all have significant experience in Making Markets Work for the Poor projects across a number of sectors. WFT also has a number of key industry experts on retainer to support and develop our projects.

- (b) WFT operates based on venture philanthropic principles which gives us the ability to make quick decisions based on market trends and non bureaucratic.
- (c) WFT has a physical presence and Senior Staff in all of our main countries of operation (Tanzania, Rwanda, and Scotland) which allows us to effectively manage our programmes, influence and develop relationships with key stakeholders.
- (d) WFT actively seeks partnerships with other institutions in the delivery of our projects. To date we have a successful co-investment relationship with Lord David Sainsbury’s philanthropic vehicle, The Gatsby Charitable Foundation.

29. WFT local offices exchange advice and regularly communicate with all the local DFID Offices where we operate and also engages with the Multi Lateral Donors on issues relating to sector work, examples being; co-ordination with the World Bank in Rwanda regarding the Tea industry privatisation process and discussion

with the EC regarding their Tea programme under STABEX. Having a physical staff team in each country allows this to happen.

30. Co-ordination of donors in the tea sector is not done formally, however, WFT ensures that we are aware of, and, streamline projects based on careful discussion with the key donors in each country. An example of this would be the WFT Rwanda Country Director joined the UN International Fund for Agriculture Development (IFAD) design team to assist them in the design of their tea component which will be formally launched in Rwanda during 2012.

31. WFT seeks to work in partnership with other donors as we bring key management, sector knowledge, and a business focus to the table. It would be of particular interest to investigate a co-investment relationship with DFID to marry the government focus of DFID and the private sector focus of WFT. However, it is crucial that any partnership does not impede the operational freedom of the Trust.

#### *The role and influence of high profile advocates on international development*

32. People like Bob Geldof and Bill Gates can be very influential and effective advocates in international development. They get wide media coverage and generally are listened to by the wider public. It's therefore very important that government communicates and co-ordinates with them as far as possible to help get across key needs and the possibilities of solutions.

33. Wood Family Trust feels it's important that their activities are known (i) to the public—to inform the public of the possible opportunities to help reduce some of the extreme poverty and hardship in sub Sahara Africa and (ii) to other possible donors to enable contact, avoid duplication and open up opportunities for co-operation.

34. WFT's strategy to influence the public on international development is through their programme for global citizenship and tolerance for young people in the UK. This includes a project with VSO called Global Xchange which supports young people from developing countries and developed countries to volunteer in pairs in their home communities, ensuring that the host community and schools have access to wider international development learning. The specific project WFT is funding sees pairs from Tanzania and UK volunteering for three months each in Dar Es Salam and Aberdeen, already we have seen over 19,258 hours of volunteering in local grassroots organisations and schools. We're also investigating a new project, Global Teachers, which would see Scottish teachers volunteering in a school in a developing country with additional curriculum support on their return to Scotland to transfer their learning from the developing country to the class room. The ultimate outcome would be to embed global citizenship within the wider school framework.

#### *The accountability of private foundations and high profile advocates*

35. Foundations clearly are accountable to their trustees to implement the charter under which they were established. They are also accountable to the target beneficiary groups under the charter.

36. WFT operates a formal Monitoring and Evaluation programme which measures impact and effect of its projects and amends and redirects the key projects accordingly. One of the advantages of a smaller private trust is its ability to make quick changes and adjustments to programmes. It is our experience that successfully working in at least some of the African countries requires flexibility and pragmatism as local challenges and uncertainties unfold and WFT is able to amend its programmes accordingly, as well as taking quick advantage of new opportunities as they arise.

September 2011

### **Written evidence submitted by DFID**

#### **THE ROLE OF PRIVATE FOUNDATIONS IN DEVELOPMENT**

##### **SUMMARY**

1. This submission responds to the International Development Committee's call for evidence on the role of private foundations in development. The evidence considers the three main questions from the Committee on the role of private foundations in development:

- Their relations with DFID and multilateral organisations, including the effectiveness of co-ordination and how to avoid duplication.
- The role and influence of high profile advocates on international development.
- The accountability of private foundations and high profile advocates.

2. This inquiry is focused on the role of the Private Foundations. DFID recognises that these are part of broader philanthropic development assistance—the largest part of which is individual giving to Non Government Organisations. Current estimates<sup>2</sup> indicate that, based on annual disbursements, private foundations account for approximately 12% of global philanthropic giving for international development.

<sup>2</sup> 12% figure based on figures given for US data by the Hudson Institute Centre for Global Prosperity: Index of Global Philanthropy and remittances 2011.

3. DFID works with a wide range of foundations that are involved in development activities. This work is policy and delivery driven with decisions on engagement taken by relevant staff on the basis of their portfolios. There has been significant engagement by DFID with around 25 foundations in the last five years.

4. Because of their scale and capacity DFID benefits from an important collaborative relationship with the Bill and Melinda Gates Foundation. This reflects their ability to work with government institutions and multilateral organisations on a range of research, implementation and policy issues.

5. The alignment of some of the world's richest foundations, associated with globally recognisable corporate brands and high profile celebrities has been significant. They have raised awareness and galvanised support for development, and played high profile advocacy roles on the international stage with heads of state, ministers, and the private sector.

6. While significant, the level of private foundations annual funding is relatively small in relation official aid flows. As a result they tend to identify segments of development where they can make a difference with their money, and capacity for innovation and risk taking. They also recognise the opportunities for leveraging private sector and other investors' funds—in the form of for profit capital and social investments. The Acumen Fund, established by Jacqueline Novogratz, supporting the commercialisation of promising development technologies, and the Bill and Melinda Gates Foundation through funding scientific innovations provide good examples.

7. The formal basis of accountability for foundations is in respect of their legal obligations in their country of registration to maintain their foundation status. In the United States this includes a requirement to spend at least 5% of the endowment each year. The UK has no similar disbursement requirement. Notably the Bill and Melinda Gates Foundation has chosen to disclose its contribution to health programmes through the Development Assistance Committee of the OECD.

8. DFID recognises the significant contribution of private foundations and individuals to development. We expect to increase our engagement over the coming years, where there are mutual benefits to such collaboration.

## INTRODUCTION

9. Foundations are normally established as a legal entity by an individual, or a group of individuals, for philanthropic purposes. They are non governmental, non-profit organisations that possess a principal fund of their own and are self managed by a board of trustees. Unlike charities or even charitable foundations, a private foundation does *not* generally seek external funding from the public, companies or governments. In the US private foundations are legally defined (for tax purposes).<sup>3</sup>

10. The total amount given globally by private foundations to development is difficult to determine, as there is no official monitoring (such as for Official Development Assistance through the OECD DAC). One estimate puts total philanthropic giving from OECD donor countries to developing countries in 2009 at \$52.5 billion.<sup>4</sup> However, a significant proportion, perhaps the majority, of this will not be from private foundations but from charities, religious organisations, universities & colleges, and through volunteering.

11. The index of global philanthropy gives a more detailed breakdown of US private philanthropy (the US is the largest single giver of official and private development flows). It estimates that, in 2009, total US provided private philanthropy<sup>5</sup> was \$37.5 billion. Of this, \$4.6 billion (12%) was specifically attributed to private foundations. Although there is no such breakdown globally, applying this 12% to the global figure for total philanthropic giving imputes to a total amount of around \$6.5 billion. This is a significant, but still small compared to official development flows from OECD DAC countries, which totalled \$120 billion<sup>6</sup> in the same year.

*Question 1—What are foundations' relations with DFID and international organisations? How effective is co-ordination and how to avoid duplication?*

12. DFID's relationships with Private foundations are managed at a range of levels—with central departments based in London and East Kilbride and though DFID's offices overseas. DFID currently engages with a large number of foundations working in many different areas of development.

13. DFID's most significant engagement is with the Bill and Melinda Gates Foundation. It is unique among private foundations involved in international development. It has the largest asset base by a considerable margin with annual aid flows on a par with significant state actors, and it has global programmes, policy influence and increasing country presence to match. DFID and Bill and Melinda Gates Foundation share a number of development priority areas where pooling our efforts and collaborating closely makes good sense.

<sup>3</sup> USA IRS Private Foundation status determinations.

<sup>4</sup> Hudson Institute Centre for Global Prosperity: Index of Global Philanthropy and remittances 2011. figure 6, page 16 Centre for Global Prosperity 2011 Index of Global Philanthropy and remittances (reference this).

<sup>5</sup> Index as above—table 1, page 9.

<sup>6</sup> OECD Net official development assistance 2009, Table 1.

14. For the purposes of this inquiry we have characterised DFID's relationship with Foundations in four areas:

- Research and Policy.
- Results, Accountability and Transparency.
- Collaboration on Global Initiatives.
- Collaboration on Programmes.

#### Relationship between DFID and Foundations on research

15. Foundations have committed significant resources to research—most notably in the areas of health and agriculture. The DFID research team's experience of working with different foundations suggests that they contribute significantly to the development agenda. They are able to respond rapidly to changes and new challenges—although perhaps based on their culture tend to work more independently than some of DFID's traditional research partners.

16. Through membership of the International Forum for Research Donors (IFORD), DFID's Research and Evidence Department has strategic discussions with Foundations including the William and Flora Hewlett, Bill and Melinda Gates, and Rockefeller Foundations to ensure inter-agency lesson learning on generic research areas such as research communication and uptake, research impact and value for money, without any direct financial tie.

17. Bill and Melinda Gates Foundation has focused significantly on health research. An important part of this has been on the development of new technologies to combat diseases of poverty (eg drugs and vaccines). DFID funds a number of programmes alongside the Bill and Melinda Gates Foundation, where they are often the single biggest contributor (sometimes by a significant margin).

18. DFID and the Bill and Melinda Gates Foundation co-finance a number of Product Development Partnerships to develop new safe, affordable tools to prevent and treat a number of diseases including malaria, TB, HIV and AIDS, neglected tropical diseases, pneumonia and diarrhoeal diseases. For example the Drugs for Neglected Diseases Initiative (DNDi) and Medicines for Malaria Venture (MMV) are developing new treatments for malaria.

19. The Bill and Melinda Gates Foundation was one of the first organisations to respond to the emerging threat of Drug (Artemisinin) Resistant Malaria in South East Asia. DFID is working closely with them to contain resistance in the region. The UK and the Bill and Melinda Gates Foundation were instrumental in the design and establishment of the innovative Affordable Medicines Facility for malaria (AMFm) which is currently being piloted in eight countries.

20. The Wellcome Trust is involved in the UK Funders Forum for health research in developing countries, together with other Govt departments and UK Research Councils, which shares lessons, prevents duplication and develops joint programmes. DFID supports a number of joint programmes with the Wellcome Trust. The Wellcome Trust is well resourced and so can spend more time (in part on our behalf) managing the programmes. Working together over a number of years has built a strong relationship between the two organisations.

21. Currently, DFID Agriculture Research Team very successfully cooperates with the Bill and Melinda Gates Foundation on three programmes—covering livestock veterinary medicines and sustainable crop production. The significance of the partnership is reflected in the commitments—£46.2 million from DFID and US\$150 million from The Bill and Melinda Gates Foundation over seven years to 2015. The partnership has already generated high quality research products. This collaboration with DFID's Agriculture Research Team minimises transaction costs, significantly expanding its portfolio of research programmes, gaining greater access to technological expertise, private sector linkages, and their programme management and monitoring and evaluation expertise.

#### Relationship between DFID and Foundations on results, governance, accountability and transparency

22. The main focus of DFID collaboration with private foundations on governance is on accountability and transparency, centred on the Transparency and Accountability Initiative (TAI). Its overall aim is empowering citizens to hold governing institutions to account. TAI is a donor collaborative launched in March 2010, co-chaired by DFID and the George Soros Open Society Foundations (OSF). It is supported financially by a consortium of four leading private foundations the Open Society, Ford, William and Flora Hewlett and Pierre Omidyar Foundations. Hivos (a Dutch international NGO) and two global civil society networks (International Budget Partnership and Revenue Watch Institute) also provide support.

23. The TAI has already achieved a significant measure of influence in supporting the development of the Open Government Partnership (OGP), a voluntary partnership of governments and civil society organisations committed to raising standards of open government around the world. Co-chaired by the US and Brazil, the OGP was formed to help promote innovative ways for governments to increase their openness. It will be formally inaugurated a special meeting during the UNGA week in New York in September. TAI has influenced the design of OGP, strengthened civil society participation and provides ongoing administrative and advisory support. The UK is strongly committed to the OGP and Whitehall engagement is led the Cabinet Office. TAI

aims to bring together the major private donors to stimulate further innovation in major areas of development work (such as climate change financing, natural resource governance, aid and budget transparency).

24. A particular challenge for private foundations is to ensure that the standards of transparency and accountability they expect from official aid donors and governments are practiced internally. Led by the example of the William and Flora Hewlett Foundation, the TAI is encouraging the private foundations to sign up to the International Aid Transparency Initiative (IATI).

25. The Bill and Melinda Gates Foundation is one of the 3 largest funders of the International Initiative for Impact Evaluations (3ie), along with DFID and the William and Flora Hewlett Foundation. The Bill and Melinda Gates Foundation's preliminary funding was provided on a "matched funding" basis to encourage other donors to participate.

#### Relationship between DFID and Private Foundations on Global Initiatives

##### *Health*

26. The Bill and Melinda Gates Foundation is one of the founding donors to Global Alliance for Vaccines and Immunisation (GAVI), kickstarting its establishment with US\$1 billion in 2000. It remains the second largest donor to GAVI, having made a further commitment at the June 2011 pledging conference of US\$1 billion, and is an active and influential board member. It has taken a policy lead on working with vaccine manufacturers and the reduction of vaccine prices, which is a policy area we will collaborate on in the future.

27. The Bill and Melinda Gates Foundation is also part of a wider Foundation constituency on the Global Fund board. It is a significant financial supporter, having pledged and contributed \$500 million over five years. They were the first donor to make a multiyear commitment to the Fund and they are strong on technical and governance.

28. Along with the UK, the Bill and Melinda Gates Foundation has made reducing deaths and illness due to malaria a priority. It has played an instrumental role in the development of the Roll Back malaria Partnership's Global Malaria Action Plan whose objective is to reduce global malaria deaths to near zero by end 2015. It is a board member of the Roll Back Malaria Partnership. Its technical experts provided expert advice during the development of the UK's "Framework for Results for Malaria", which was published in December 2010.

29. DFID and The Bill and Melinda Gates Foundation are major collaborators on the Global Polio Eradication Initiative (GPEI)—a multi donor health partnership—with a shared long-term commitment to eradicate polio. DFID worked closely with other donors and GPEI to develop the new three year Strategy in 2010. Partly at the insistence of The Bill and Melinda Gates Foundation and DFID it includes an explicit focus on routine immunisation, improved governance and innovative financing approaches.

30. The Bill and Melinda Gates foundation has led the way on Neglected Tropical Diseases: over the past 12 years, the foundation has invested nearly \$1billion in 14 diseases, with an emphasis on R&D as well as a delivery role in support of elimination/control campaigns eg Onchocerciasis (River Blindness).

31. Like DFID, the Rockefeller Foundation gives high priority to health systems strengthening. Our work with them mainly falls within their Transforming Health Systems initiative. This focuses on funding analysis, network-building, evidence-gathering and dissemination rather than programmes in countries. Our work with them is often at the policy and influencing level, contributing to the generation of global public goods.

##### *Education*

32. Education lags behind (in terms of financing) health with regard to the level of engagement from Foundations. However a number of foundations are beginning to move into education—particularly girls education—partly driven by the evidence on health linkages. William and Flora Hewlett Foundation's Quality Education in Developing Countries (QEDC) initiative is making grants to increase competence in reading, math and critical thinking among primary education students in sub-Saharan Africa and India. DFID Education & Skills Team and Country Offices are involved.

33. Chris and Jamie Cooper-Hohn's Children's Investment Fund Foundation, with William and Flora Hewlett, MacArthur, Elmo Philanthropies and Nike foundations have all been engaged in the specialist consultation around the design of the Girls Education Challenge. The Children's Investment Fund Foundation is also engaging in early childhood and educational achievement and have a programme in Ghana with which DFID is engaged. ARK, a philanthropic organisation in India, is involved in a joint WB/DFID/ARK programme to design a voucher programme to enable a percentage of school places to be open for the poorest—in line with Government of India policy.

#### DFID COLLABORATION WITH NIKE FOUNDATION

The Nike Foundation invests exclusively in adolescent girls as the most powerful force for change and poverty alleviation in the developing world. The Foundation's investments are designed to get girls on the global agenda and drive massive resources to them.

The Nike Foundation's deep expertise in girls as well as communications combined with the reach, scale and knowledge of DFID creates a powerful partnership in the Girl Hub joint venture that is

capable of transforming girls' lives and impacting inter-generational poverty. It does this in two ways: by inspiring girls and elevating their voice, value and agency; and by influencing decision makers in developing countries to do more for girls and to do it better.

The work of Girl Hub is focused around shifting systems for girls; ensuring that girls are included in the system design of national governments and major donors. The first example of this is the national rollout of an adolescent girl health program with the Rwandan Ministry of Health and DFID Rwanda.

In addition Girl Hub has supported DFID's top management group in redesigning its gender strategy to ensure girls and women are a key priority for every country.

#### Relationship between DFID and Foundations on Forestry

34. DFID has collaborative, non-funding, relationships with several private foundations on forestry, sometimes co-financing initiatives with them and engaging in policy dialogue. This is based on the recognition that sometimes their influence over policy and country outreach (both developing and developed) can sometimes be greater than DFID's.

35. The private foundations we work with on forestry range in their objectives:

- Ford Foundation—seeks to promote and influence policy and projects seeking social justice through natural resource and forest management, with strong emphasis on community-based management.
- Gordon and Betty Moore Foundation—seeks to promote forest and biodiversity conservation and science.
- David and Lucile Packard Foundation- seeks to promote small business and community participation in forest management, including reduced emissions from deforestation and forest degradation to tackle climate change.
- ClimateWorks Foundation (this is linked to and funded by the McKnight Foundation and the William and Flora Hewlett Foundation) seeks to invest in policies that will reduce the risks of dangerous climate change, including Reduced Emissions from Deforestation and Degradation (REDD), plantations and forest management.

36. These have formed a Climate and Land Use Alliance (CLUA) whereby the 4 foundations seek to build greater synergies between their individual grant making and policy outreach. We are working with CLUA, on improved forest governance in relation to climate change.

#### Relationships between DFID, Foundations and the Private Sector and Finances

37. The Clinton Global Initiative is a (non financially contributing) member with DFID and other bilateral donors and UN agencies of the Business Call to Action. Launched in 2008, the Business Call to Action (BCTA) aims to accelerate progress towards the Millennium Development Goals (MDGs) by challenging companies to develop inclusive business models that offer the potential for both commercial success and development impact.

38. There is now an emerging asset class called "Impact Investments" designed to yield equity returns as well as a broader benefit for society. Examples of this profit with a purpose approach include life insurance to people with HIV/AIDs in South Africa and savings, insurance and investment products in Kenya. Backers include George Soros and Pierre Omidyar. JP Morgan predicts that by 2020 up to \$1 trillion could be invested in this way.<sup>7</sup>

39. DFID is currently exploring how best to collaborate with foundations and other not for profit organisations who have already been significant investors. For example, since 2001 the Acumen Fund has invested over \$60 million in companies that provide affordable, quality goods and services to tens of millions of low-income customers. It has created 30,000 jobs and catalysed entirely new industries to deliver critical goods for the poor.

40. The Bill and Melinda Gates and Rockefeller Foundations are members together with DFID of the group to Harness Non-State Actors for Better Health for the Poor (HANSHEP). It was established in 2010 to improve the performance of the non-state sector in delivering better healthcare to the poor. DFID was instrumental in conceiving and putting together this group, and the Bill and Melinda Gates Foundation and Rockefeller were early allies in this endeavour. Thus far the group has not funded its first initiative although we are currently negotiating co-funding of four projects worth almost US\$110 million.

41. DFID is collaborating with the Bill and Melinda Gates Foundation on expansion of access to financial services by poor people. In March 2010, DFID provided £8 million over a period of four years to the Technology Programme for Branchless Banking which up until then had been funded by the Bill and Melinda Gates Foundation and the Consultative Group to Assist the Poor (CGAP).

42. At the country level, collaboration includes joint funding of the mobile banking project—Easy Paise—in Pakistan, and joint funding of Enhancing Financial Innovation & Access (EFInA)—a policy advocacy,

<sup>7</sup> The Economist, 10 September 2011, Impact Investing.



innovation and market information centre in Nigeria. The Bill and Melinda Gates Foundation is now supporting the Financial Sector Deepening Trust (FSDT) in Kenya, set up originally with DFID support.

Examples of Foundations collaboration with DFID at country level

### *India*

43. DFID India has a range of partnership arrangements with several foundations.

44. DFID is co-funding the Government of India's National AIDS Control Programme III (£120m 2007–12) with the Bill and Melinda Gates Foundation. The aim is to scale up prevention activities for high risk groups and vulnerable population, increased identification, care, support and treatment of persons living with HIV/AIDS and strengthen infrastructure, systems and human resources for prevention and treatment programs.

#### CASE STUDY—CLINTON HEALTH ACCESS INITIATIVE (CHAI)

CHAI was established in 2010 as an offshoot of the Clinton HIV/AIDS Initiative. It's approach focuses on improving market dynamics for medicines and diagnostics; lowering prices for treatment; accelerating access to life-saving technologies; and helping governments build the capacity required for high-quality care and treatment programs.

DFID's relationship with CHAI is not typical of those with Foundations as we have provided funding: £9 million over three years to strategically engage with manufacturers (active pharmaceutical ingredient producers, originator and generic pharmaceutical companies) to negotiate and support sustainable reductions in the price of selected HIV and malaria medicines.

CHAI has also worked with selected developing countries to accelerate the registration and introduction of cost-effective medicines, and to improve demand forecasting (which is essential to securing lower margins from suppliers, based on higher volumes or more accurate production planning). DFID's support through its current programme has concentrated (though not exclusively) on engaging with Indian pharmaceutical manufacturers, and on demand side activities in nine African countries, India and Cambodia.

Preliminary results from this work have been good with estimated costs averted of: \$430 million over five years through improvements in manufacturing processes for Anti Retrovirals (ARVs) to treat HIV such as tenofovir and efavirenz; and \$75–\$90m over five years through negotiated price reductions with an Indian generic manufacturer for a second line ARV regime (tenofovir, lamivudine, atazanavir, and ritonavir).

45. DFID, the World Bank and the Azim Premji Foundation co-financed the production of an influential study on teacher incentives in Andhra Pradesh (March 2005 to December 2007).

46. DFID, William and Flora Hewlett and Bill and Melinda Gates Foundations co-fund the Think Tank Initiative (£6 million 2010–15). This is a global programme that aims to promote more objective, evidence-based policy-making, harnessing India's and other recipient countries' potential as a world-class centre of research. Under the programme DFID India funds nine Indian think tanks.

47. DFID and the Rockefeller Foundation co-hosted a workshop on Sustainable & Climate Resilient Urban Development to identify the most suitable practices of climate resilience, low carbon-high growth processes for urban development and required interventions of the Government (September 2010 in New Delhi).

48. Dr Reddy's Foundation was contracted by the Government of Andhra Pradesh (GoAP) to initiate a livelihoods programme called Urban Programme for Advancement of Household Income (UPADHI), under the auspices of the DFID-supported GoAP Urban Development Programme. UPADHI trained 31,274 urban youth under the programme, of whom 21,958 were successful in securing work placements with a generated annual income estimated at 30 crores (£4 million approx).

49. DFID co-ordinates closely with the Bill and Melinda Gates Foundation and the Children's Investment Fund Foundation under our state programme in Bihar, to avoid duplication.

50. DFID is exploring opportunities to partner with the Aga Khan Foundation (AKF) to implement nursing reform in the state of Bihar, under DFID's existing health programme. DFID will also work closely with the Bill and Melinda Gates Foundation on various programmes related to maternal and child health.

### *Africa*

51. DFID engagement with foundations on the ground in Africa has mainly been with "western" based foundations working in Africa, based on the relationships around common interests at country level.

52. Frequent partnership has been established with the Bill and Melinda Gates Foundation and other significant programmes have been implemented in partnership with the Open Society Initiative for Southern Africa (OSISA, part of the Open Society Foundation established by George Soros), the Gatsby Foundation, the Clinton Health Foundation, Pam Omidyar's Humanity United and the Equity Foundation.

53. Areas of collaboration have included work on HIV/AIDS prevention and treatment, work on polio vaccination, the promotion of better governance eg in the mining industry and successful free elections,

increased incomes from agriculture and safety net programmes and securing better access to rural finance. In addition to their Palace Street base, the NIKE/DFID Girl Hub operates through DFID country offices in Ethiopia, Nigeria and Rwanda.

54. DFID recognises that the new African Foundations are playing an increasing role in development. The rise of these has been mirrored by increasing diaspora work to improve lives in Africa beyond sending remittances to engagement in advocacy and securing broader development progress particularly in job creation. DFID will be engaging with the foundations and with the Africa Diaspora more generally over the Autumn. For example, DFID is already endorsing the Business Action for Africa event series and will be building on this to engage with the other co-sponsors to explore what mutual interests could be furthered through closer engagement.

#### Question 2—*The Role and influence of high profile advocates on International Development*

55. Maintaining public support for international development is important, as is communicating the results that UK aid is achieving. High profile advocates for development can play a significant role in development advocacy as we have seen with Jubilee 2000, Make Poverty History and the Gleneagles G8 Summit. Individuals such as Bill Gates, George Soros, Bob Geldof, Richard Curtis, Bono, Chris Martin, Angelina Jolie and Sean Penn among others have raised the profile of development issues ranging from debt cancellation to Haiti and Darfur. And Comic Relief, with personalities like Lenny Henry, has helped raise awareness (particularly amongst young people) and funding for development for over 20 years.

56. Many of these individuals work closely with development organisations such as NGOs and the UN and religious groups. This helps them to gain an understanding of the complexity of the issues involved and draw on evidence and analysis in advocating for change. Similarly Bill and Melinda Gates' Foundation support for development is backed up by the work and analysis the Foundation does.

##### LIVING PROOF CASE STUDY

The "Living Proof" Initiative is an interesting example of drawing on evidence to advocate for development. It was established by the Bill and Melinda Gates Foundation in 2009 and is being taken forward by the campaigning NGO ONE.

Living Proof aims to communicate concrete results of aid and the value for money that it can represent if used well, through new and innovative media. It also provides the evidence that individuals like Bill and Melinda can use to advocate for fulfilling aid promises and effective use of those resources.

Living Proof is about telling the story of the progress being achieved through real life stories backed up by facts and statistics and using new media and social networking tools, such as Twitter. In particular, it aims to get young people involved, as well as others who wouldn't normally engage on development.

Bill and Melinda have personally launched Living Proof in the US and Europe with events in Washington, London and Paris, giving the issues and the campaign media profile. The focus to date has been largely on health where success stories such as vaccines are easier to identify. The ONE campaign is now taking the work forward working with partners, including other NGOs to identify stories and evidence on a broader range of development issues including agriculture and education. This would should play a valuable and innovative role in building and maintaining public support for development in the US and Europe.

57. Given the attention celebrity activists can receive, this evidence and understanding is particularly important when reaching out to new, less informed audiences. And also in lobbying the senior politicians to whom these individuals can often secure access.

58. There is also an emerging group of successful individuals from developing countries in business and sport in particular becoming advocates, such as Mo Ibrahim (whose foundation supports good governance and leadership in Africa), Tidjane Thiam (CEO Prudential) and a range of African footballers (including Didier Drogba) who have credibility based on their own experience and can be particularly influential with business and diaspora groups that are less influenced by celebrities.

59. These voices can help to tell a more accurate and informed story about the impacts of aid to build public knowledge. This is important, given the often low levels of understanding of, and support for, development spending in many developed countries all Key to success is that they are informed by evidence and analysis and demonstrate credibility.

#### Question 3—*What is the accountability of private foundations and high profile advocates?*

60. Private foundations typically have different structures of accountability from official aid donors which are government departments. These are accountable to their public through ministers and structured accountability mechanisms. Private foundations are primarily accountable to nominated boards which provide strategic direction and oversight.

61. These different accountability structures and lower levels of scrutiny from a wider public offer private foundations the potential to focus clearly on their objectives. And, if willing, to adopt a far less risk averse approach than governments usually adopt. This has the potential to produce rewards through the adoption of innovative solutions to development problems, and can enable foundations to respond rapidly to changes and new challenges.

62. It also sets some particular challenges for private foundations, such as the risk of working too independently. And to ensuring that they practice the standards of transparency and accountability that foundations expect from official aid donors and governments. Led by the example of the William and Flora Hewlett Foundation, the Transparency and Accountability Initiative is encouraging private foundations to sign up to the International Aid Transparency Initiative (IATI).

63. The Bill and Melinda Gates Foundation are also working closely with the OECD and, earlier this year, submitted its contributions to health finance for inclusion in OECD DAC reporting.<sup>8</sup>

64. In the US foundations are required to submit annual accounts and financial reports to the Internal Revenue Service to maintain their charitable status for tax exemptions. The accountability structures of private foundations are subject to regular congressional and media scrutiny. The risk of creating parallel systems is not significant in the transparency and accountability field. Private foundations work to improve public standards of open government either in collaboration with governments, or with citizen groups to hold governments to account.

## **Annex A**

### **FURTHER INFORMATION ON FOUNDATIONS ENGAGED IN EDUCATION**

1. DFID's Research and Evidence Division (RED) is in talks with William and Flora Hewlett Foundation to engage in joint funded research on education quality. DFID Head of Human Development Department sits on the Advisory Panel of the William and Flora Hewlett Foundation "Quality Education in Developing Countries" Initiative. The input is small (three days per year), but is helpful for (i) keeping on top of innovations in quality, (ii) networking with other members of the panel, (iii) understanding and influencing US foundation thinking on education.

2. DFID has had discussions with Pearson, a private foundation engaged in education, with a strong focus on innovation. They have recently bought a chain of universities in South Africa, own a number of "systema" schools in Brazil (school in a box), are engaged with Bridge International in Kenya and are investing research money in next generation approaches to assessment, (in order to be at the forefront of assessment systems for institutions and individuals that look at employability and social skills). The "school in a box" model in Kenya is led by a venture capitalist from the US, the Hilti Foundation. The Hilti Foundation and other investors acquire land for the site of a school and finance its construction and infrastructure.

3. *The Soros Foundation Open Society Institute*—has played a leading role in innovative financing for education, funding the first study on this topic in 2010 and concept development for an Education Venture Fund. The Fund, if established, aims to draw on expertise from the Soros Foundation for investment advice and support for innovative financing proposals.

4. *The Qatar Foundation*—The Foundation supports the World Innovation Summit for Education (WISE) and provides annual awards for innovative projects in the education sector.

5. *The William and Flora Hewlett Foundation*—With ASHOKA, sponsored a competition for ideas that would improve quality in primary schools in Africa and received several hundred proposals.

6. *The Agha Khan's Foundations* are heavily involved in a number of countries in south Asia and Africa supporting basic education, improved literacy and some universities.

7. *Microsoft*—Microsoft is committing to the continued expansion of the Partners in Learning programme, with a particular focus on training for millions of teachers in more than 100 countries. Up to 2013, they will focus on teacher training efforts to include basic digital literacy skills, the know how to integrate technology into teaching, and the capacity to share their knowledge with other educators in the community.

8. *World Economic Forum*—The World Economic Forum convenes the Global Education Alliance, and joined forces with the Class of 2015 (launched at the MDG Call to Action meeting, September 2008) to put education on the agenda for meetings of the World Economic Forum in Davos in 2009 and 2010. CISCO and Intel are linked with the Global Education Alliance. Cisco is involved in numerous multi-stakeholder partnerships for education including the Global Education Initiative in Jordan, Egypt and Rajasthan. The Global Education Initiative has made significant progress in raising awareness and supporting the implementation of relevant, sustainable education reforms.

9. Cisco is also engaged in a partnership with bilateral donors under the Global Education Alliance launched in Rwanda in support of the Education for All Fast Track Initiative. Cisco is proud of its longstanding

<sup>8</sup> Bill & Melinda Gates Foundation, Statistical Reporting to OECD DAC, April 2011.

commitment to the Cisco Networking Academy, an initiative which provided more than two million students globally with critical information technology and networking skills, and to extending its global reach.

10. *Intel*—To date Intel has offered free professional development to over five and a half million teachers in 40 countries and is committed to training millions more.

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#### ABBREVIATIONS

3ie—International Initiative for Impact Evaluations

ACTs—Artemisinin combination therapies

AMFm—Affordable Medicines Facility for malaria

ARVs—Anti Retrovirals

BCtA—Business Call to Action

CGAP—Consultative Group to Assist the Poor

CHAI—Clinton Health Access Initiative

CLUA—Climate and Land Use Alliance

DNDi—Drugs for Neglected Diseases Initiative

EFInA—Enhancing Financial Innovation & Access

FSDT—Financial Sector Deepening Trust

GALVmed—Global Alliance for Livestock Veterinary Medicines

GAVI—Global Alliance for Vaccines and Immunisation

GPEI—Global Polio Eradication Initiative

HANSHEP—Harness Non-State Actors for Better Health for the Poor

IATI—International Aid Transparency Initiative

IFORD—International Forum for Research Donors

MDGs—Millennium Development Goals

MMV—Medicines for Malaria Venture

NTDs—Neglected Tropical Diseases

OSIS—Open Society Initiative for Southern Africa

QEDC—Quality Education in Developing Countries

OGP—Open Government Partnership

REDD—Reducing Emissions from Deforestation and Forest Degradation

SCPRID—Sustainable Crop Production Research for International Development

SMEs—Small and medium size enterprises

TAI—Transparency and Accountability Initiative

WB—World Bank

September 2011

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### Further written evidence from DFID

Thank you for the opportunity to appear before the Committee on 8 November to give oral evidence to the Inquiry into the role of private foundations in development. During that session I undertook to write to you on three points which were raised.

Firstly, you asked the Department for International Development (DFID) to comment on the vaccines analysis done by Simon Maxwell. DFID's Chief Scientific and Economic Advisers are considering the points that Simon has raised and their response will follow shortly.

You also asked us to follow up on paragraph 54 of DFID's memorandum of September 2011 to the IDC Inquiry, to advise on "our engagement during the autumn of 2011 with African foundations and diaspora groups".

Thirdly, you asked whether the Girl Hub work will be extended into the Democratic Republic of Congo (DRC) given the gender challenges there, in particular the violence against women. You also asked about a possible visit to the Girl Hub, which I understand is now being arranged.

DFID has a number of events coming up involving African diaspora groups. Paragraph 54 in our Memorandum of 15 September refers specifically to a roundtable event. This will be held on 24 November, organised by the Business Action for Africa, and will include representatives from African diaspora and other organisations. The roundtable is part of a broader programme of meetings and events designed to explore how DFID and diaspora organisations might work better together in the future.

DFID's Africa Regional Department recently had an initial meeting with AFFORD, the Africa Foundation for Development, and met Comic Relief to discuss the "Common Ground Initiative" (CGI) and their experience in dealing with diaspora groups. This initiative aims to increase funding to small and diaspora organisations to create real and sustainable change to some of the poorest and most disadvantaged communities in Africa.

The fund is managed by Comic Relief and co-funded by DFID. DFID is contributing £20 million and Comic Relief is awarding 80 grants up to £250K over three years.

Diaspora groups play an important role in development. The World Bank<sup>9</sup> estimates that there are more than 190 million migrants in the world. There are many large diaspora communities in the UK including from Ghana, South Africa and Zimbabwe. Remittances have been steadily growing over the past decade. The World Bank estimates that remittances totalled USD 414 billion in 2009, of which USD 316 billion went to developing countries. For some countries, remittances can be as much as a third of their GDP.

On your question about the Girl Hub and DRC, the issues faced by girls and women in DRC are appalling. Senior DFID and Nike Foundation staff visited Eastern DRC in 2010 and met girls in the internally displaced person (IDP) camp and hospital who had horrific experiences of gender-based violence.

The Girl Hub is currently focusing on three countries, Rwanda, North Nigeria, and Ethiopia, and plans to start operations in Kenya in 2012. The idea of a Girl Hub in Asia is being investigated, to open in 2013, but the Girl Hub is a small organisation and currently it is beyond its capacity to start up any further hubs.

The Girl Hub would be interested to hear the IDC's views and to have a discussion on how it could support change for girls in DRC. Having a Girl Hub in neighbouring Rwanda means that they are learning about the potential to reach girls at scale in this region; and they will be glad to share their experience.

DFID recognises that DRC is one of the worst places in the world to be born a girl. Women and girls are systematically disadvantaged and on the global gender equality index DRC ranks 137th out of 138 countries. We are currently seeing a major increase in UK development assistance to the DRC.

DFID DRC will ensure that the priorities of women and girls are prominent in all key programmes. Ensuring this consistent focus on women and girls will require that DFID DRC engages systematically on integrating women's and girls' priorities in the design and implementation of our programmes and to challenge those who say that things cannot change.

DFID DRC aims to achieve the following key results for women and girls:

- Improved living conditions for 50,000 female-headed households.
- Increase by 30% the proportion of women in target areas who feel safe.
- Get 225,000 more girls into primary school and reduce drop out rate from 8% to 5%.
- Ensure direct support to primary schools benefit more than 185,000 girls.
- Improved teaching and learning of basic literacy for 100,000 girls.
- Cut the risk of malaria as more than 350,000 women to receive bednets and intermittent preventative malaria treatment during pregnancy in target health zones.
- Ensure more than 350,000 births to be attended by skilled health personnel in target health zones.

<sup>9</sup> <http://web.worldbank.org/WBSITE/EXTERNAUTOPICS/EXTFINANCIALSECTOR/EXTPAYMENTREMITTANCE0,,contentMDK:22121552~menuPK:5978015~pagePK:210058~piPK:210062~theSitePK:1943138,00.html>

- Distribute bednets to at least 8.5 million women and children.
- Meet the contraceptive needs of 23 5,000 women and adolescent girls.
- Provide clean water and sanitation to at least 3 million women and girls.
- Register at least 16 million women to vote in order that at least 11 million women actually vote.

I trust that this answers your queries. I will forward our response on the economics of vaccines analysis in the next few days, and hope that you enjoy your forthcoming visit to the Girl Hub.

18 November 2011

### Further written evidence from DFID

Commentary on Simon Maxwell vaccination versus nutrition cost figures requested by the International Development Select Committee by Prof Stefan Dercon, Chief Economist and Professor of Development Economics, University of Oxford, and Prof Christopher Whitty, Chief Scientific Advisor and Professor of International Health, London School of Hygiene & Tropical Medicine.

1. The Minister of State at the Department for International Development has asked us as Chief Economist and Chief Scientific Advisor to undertake a technical analysis of the figures on vaccination from Simon Maxwell, advisor to the Committee, at the request of a Committee Member Mr Bayley MP. Mr Bayley explicitly asked for a ‘techie’ response as a health economist. Mr Maxwell compared vaccine costs with nutrition.

2. We gather that the source of the figures is Mr Maxwell’s blog from earlier this year: <http://www.simonmaxwell.eu/blog/is-vaccination-good-economics-as-well-as-good-politics.html>. We reproduce the text of this below as an appendix. We cannot find any other publication, and in particular any peer-reviewed publication, in which this comparison is made.

3. We think it is an entertaining blog with some thought-provoking ideas, from one of the leading thinkers on development. We are doubtful however Mr Maxwell intended the figures themselves to be taken seriously, and certainly not quoted by a Select Committee of Parliament, or to be the basis for UK policy or international health. As he says in the blog in response to some (correct) technical challenges “I don’t pretend that this is topic I have studied in detail.” (see bottom of response string).

4. Our summary view is that the figures Mr Maxwell uses are, in a technical sense, incorrectly calculated and the comparisons largely meaningless (a variant of comparing apples with toast). We lay out below some of the reasons this is so. This in no means detracts from the blog as an entertaining debating piece where the figures have been chosen to support a case rather than as the starting point for the analysis, which is what we think the blog is intended to be, so this is not in any way a criticism of Mr Maxwell’s blog which is as always very worth reading. It is the figures Mr Maxwell used which were quoted by the committee the Minister of State has asked us to analyse for the committee however, and the figures are from a policy-making perspective flawed.

5. Mr. Maxwell says as much in his blog: “Remember, these numbers are hypothetical. What do I conclude from all this? Well, the politicians may think the politics is complicated, but, speaking as an economist, it seems to me that the economics is pretty complicated too. An awful lot depends on which method is used to calculate cost-effectiveness, and on the specific valuations and discount rates applied.” We agree with this, so it needs to be done carefully if it is to inform policy.

6. Mr. Maxwell’s first calculation, and the one quoted, is “[GAVI will receive] \$US 4.3 billion, with the number of children to be vaccinated, 250 million, and the number of lives to be saved, 4 million. Obviously, it is wonderful to save 4 million young lives, but an immediate mental calculation, dividing \$4.3 billion by 4 million, told me that each life saved was going to cost over \$US 1,000. That seemed a lot”.

7. He then goes on to compare it to nutrition interventions, calculated in a completely different way: “Copenhagen Consensus shows many nutrition interventions with cost per DALY saved below \$US 20, or in the range \$US 20–100.”

8. Comparing the cost of interventions using DALYs (Disability Adjusted Life Years) is standard practice: it allows a judgement not just on whether lives are saved (the mortality dimension) but also at the same time other dimensions of the overall disease burden, by adjusting years of life to take into account the burden of disease and disability averted. We agree it is possible to compare the cost of interventions in health using DALYs. Whilst far from perfect they allow some broadly meaningful comparisons to be made, provided they are done in the same way for different interventions. The figure of \$US 1,000 per life saved quoted in the blog is however potentially confusing for the reader, as its singular mortality focus means it obviously cannot be compared directly to the DALY calculations.

9. The cost-effectiveness of the new vaccines supported by GAVI have been scrutinised in several recent peer-reviewed research papers, and it is the new vaccines Mr Maxwell was concerned about in the blog (he accepted the “old” EPI vaccines are good value).

- (a) Tasslimi et al. (*International Health*, November 2011) model the cost-effectiveness of the Pneumococcal Conjugate Vaccine (PCV) in the 72 GAVI-eligible countries, and find it highly cost-effective in all but 3 countries using cautious modelling assumptions and PCV7. Taking into account the emergence of new versions (PCV10 and PCV13) cost-effectiveness is higher. For example, the mean cost per DALY averted using PCV13 is calculated to be \$US 77. These costs per DALY averted are considerably lower for the countries with the poorest health situation; for example for those 16 countries with Under-five mortality above 150, these costs across the range of PCV7, PCV10 and PCV13 is \$US 37–65.
- (b) Kim et al. (*BMC Infectious Diseases*, 2011) reviews the health and other consequences of introducing HPV and rotavirus in GAVI-eligible countries, finding also that under various modelling assumptions, a high cost-effectiveness in terms of incremental cost per DALY averted, at levels below the GDP per capita for each country, and similar order of magnitude as for PCV.

10. One difficulty with vaccine cost-effectiveness analysis is that the price of the vaccine is a crucial variable affecting the calculations; in this case, it makes the cost-effectiveness calculations cautious. One feature of a new technology is that R&D expenditure has to be made upfront, and vaccines reproduction costs will fall to very small levels once first developed. A result is that focusing attention on the initial costs is misleading. In any case, life time costs matter, not initial costs. This point was made by the Minister of State in his oral evidence (and is one which Mr Maxwell clearly acknowledges in the blog).

11. The need for initial large investment also implies that (marginal) costs and prices will face substantial downward pressure. Without GAVI, some of these vaccines would not be developed or reach developing countries much slower. It makes GAVI well placed to use its influence to ensure that prices come down after development. For example, at the June 2011 GAVI replenishment, GSK announced a significant reduction in the price of its rotavirus vaccine.

12. Another issue that vaccine cost-effectiveness depends on the epidemiology of a disease locally; global comparisons make little sense. To take an extreme example just for illustrative purposes, if there was a highly effective malaria vaccine at a moderate price it would probably be highly cost-effective in areas of Africa where the average child gets four to five attacks of malaria a year, but not be in any way cost-effective in Turkey, where most children never get malaria. GAVI cost-effectiveness analysis takes this into account and advice is tailored locally; not every vaccine is appropriate everywhere. In the papers cited above, cost-effectiveness is calculated country-by-country.

13. A current example is polio. The current cost per case averted from the polio eradication attempt is of course huge- because polio is almost eradicated and there are very few cases. The cost of stopping vaccination on this basis would of course also be massive, in both human and financial terms as eradication would fail and polio would sweep back (ironically making the cost-effectiveness of the vaccine, in the way Mr. Maxwell calculates it, look much more attractive). Comparing this to nutrition clearly misses the point of both.

14. Additionally there is a herd effect for vaccination once it reaches a substantial proportion of the population- the fact that 80% of children are protected reduces the risk for the other 20%. Proper modelling needs to take this into account. For most other interventions (including nutrition) this is not so.

15. It could still be argued that nutrition interventions, at below \$100 per DALY averted, may well be good contenders to be superior to vaccine development. Mr Maxwell is at his most thought-provoking on this point. The evidence comes from two careful pieces of analysis, conducted for the Copenhagen Consensus by Horton, Alderman and Rivera (*The Copenhagen Consensus*, 2008) updating earlier work by Behrman, Alderman and Hoddinott (*The Copenhagen Consensus*, 2004). They explore various combinations of nutritional intervention and identify at least a number of cost-effective micronutrient supplementation interventions, such as Vitamin A for infants at US\$ 10 per DALY averted or Zinc supplements for infants at \$73 per DALY averted; they also consider salt iodisation, iron fortification, deworming, and community-based nutrition programmes. Unfortunately, it is hard to compare these figures directly with the GAVI comparisons. They offer only a generic cost model, identical for each context and country, while delivery costs to get infants and parents to comply with taking regular supplements appear optimistic. Importantly, in a number of seemingly attractive specific programmes, the intervention is to scale up from already relatively high coverage (for example for sufficient Vitamin A coverage, from 70% to 80%), with likely cost implications to reach hard-to-reach groups.

16. DFID strongly acknowledges the importance of early childhood nutrition and is investing significantly in programmes focusing on early childhood nutrition, including some of those referred to above. The interpretation that the available data and analysis would simply suggest that vaccine development using the GAVI model has low cost-effectiveness relative to nutritional interventions is misleading because the figures quoted have been calculated incorrectly and an inappropriate comparison made.

## Appendix

*Is vaccination good economics as well as good politics?*

Friday, 7 October 2011 Blog by Simon Maxwell with published responses as currently (16 November 2011) online.

*Is vaccination good economics as well as good politics?*

Vaccinating children is obviously good politics, demonstrating what can be achieved with aid. There was great celebration when the Global Alliance for Vaccines and Immunisation (GAVI) raised over \$US 4 billion at its pledging conference in London, back in June. David Cameron even received a standing ovation for pledging some \$US1.3bn. 250 million children will be vaccinated. 100 million lives will be saved. Fantastic.

The immediate economics is also highly positive. Look at the 2008 summary, below, of health ‘best-buys’ by the Disease Control Priorities Project. Vaccinating children against major childhood diseases comes top of the list. Again, a fantastic investment.

1. Vaccinate children against major childhood diseases, including tuberculosis, diphtheria, whooping cough, tetanus, polio, and measles (the traditional expanded program of immunization).
2. Monitor children’s health to prevent or, if necessary, treat childhood pneumonia, diarrhea, and malaria.
3. Tax tobacco products to increase consumers’ costs by at least one-third and reduce cases of cardiovascular disease, cancer, and respiratory disease (see Box 1 on page 4).
4. Prevent the spread of HIV through a coordinated approach that includes: promoting 100% condom use among populations at high risk of infection; treating other sexually transmitted infections; providing antiretroviral medications to pregnant women; and offering voluntary HIV counselling and testing.
5. Give children and pregnant women essential nutrients, including vitamin A, iron, and iodine, to prevent maternal anemia, infant deaths, and long-term health problems.
6. Provide insecticide-treated bed nets, household spraying of insecticides, and preventive treatment for pregnant women to drastically reduce malaria in areas where it is endemic.
7. Enforce traffic regulations and install speed bumps at dangerous intersections to reduce traffic-related injuries.
8. Treat tuberculosis patients with short- course chemotherapy to cure infected people and prevent new infections (see Box 2 on page 5).
9. Teach mothers and train birth attendants to keep newborns warm and clean to reduce illness and death.
10. Promote the use of aspirin and other inexpensive drugs to prevent and treat heart attack and stroke.

Hang on a minute, though. The major pledges to GAVI were not for the traditional “expanded programme of immunization” (EPI), but mainly for new vaccines, especially against rotavirus and pneumococcal infection. The press release and other coverage confirms that this is the case. The figure below shows that new vaccines are the biggest growth areas. Are the economics then as clear?

What led me to ask this question was the juxtaposition of the figure raised at the London conference, \$US 4.3 billion, with the number of children to be vaccinated, 250 million, and the number of lives to be saved, 4 million. Obviously, it is wonderful to save 4 million young lives, but an immediate mental calculation, dividing \$4.3 billion by 4 million, told me that each life saved was going to cost over \$US 1000. That seemed a lot, especially given what we know about health budgets in developing countries (less than \$US 100 per capita for the poorest 100 countries in the world, even in purchasing power parity dollars) and about the extremely low cost of some other interventions—for example, micronutrient supplementation. Every investment has an opportunity cost. Could even more lives have been saved by raising the same amount of money for nutrition?

The GAVI event also triggered a memory—of being invited to a lunch in London a few years ago, when I was Director of ODI, the purpose of which was for a pharmaceutical company to discuss with development people the following issue: ‘at great cost to ourselves, we have invented some new vaccines, including against rotavirus, and we want to persuade donors to pay for them; they are quite expensive; how do we do that?’.

I remember making the argument that we development specialists believed very strongly in rational public expenditure allocation, that we helped to design medium term expenditure frameworks, that we opposed vertical programmes that parachuted money into health ministries with no regard for country ownership, national priorities or the need to build health systems; and that therefore the logical thing for the pharmaceutical companies to do was to make a careful argument for cost-effectiveness, based on sector programmes at health ministry level, within overall national public expenditure ceilings.

You can see that I was reflecting faithfully, and with conviction, I might say, the conventional wisdom of ODI’s public expenditure specialists. I also had in mind the famous case of the Uganda health ministry back in 2002, being offered more money from the Global Fund for HIV/ AIDS than the whole health budget of the country, and the horrified reaction of the Ministry of Finance at the distortion this implied to overall spending patterns.

My thinking then was consistent with scepticism about what later I have come to call Results 1.0, the view that maintaining political support for aid requires such a strong focus on results that “simple” interventions, like vaccination, trump more complex and equally important ones like support to the institutions required for



better governance. As readers of a previous contribution will know, I think Andrew Mitchell is managing this conundrum well, with a subtle agenda I have called Results 2.0.

The interesting part of this story, though, is the reaction of the pharmaceutical company representatives, senior people all, who looked at me as though I was both deranged and naïve beyond belief. That, their expressions said, is not how it works.

You can understand then, my interest being awoken, on finding, only a few years later, that the vertical fund created to fund vaccination was making a major commitment to new vaccines, at what seemed a high cost per life saved. Was this the triumph of politics over economics? Or had the economics changed?

I raised these questions at an ODI/ IDS meeting on results, and again at a World Bank seminar in London in September. Some interesting points have come up.

First, of course, the cost per life saved is a crude way to think about the economics, and it is more accurate to use Disability-Adjusted Life Years (DALYS), appropriately valued and discounted.

Second, a DALY perspective confirms that traditional EPI vaccination is highly cost-effective, at less than \$US 10 per DALY averted.

Third, the new vaccines are indeed much more expensive, though coming down in price, which makes a literature review and comparative analysis quite complicated. The GAVI page on cost-effectiveness makes statements about cost-effectiveness, but does not give numbers. See: <http://www.gavialliance.org/about/value/cost-effective/>. The Disease Control Priority Project cites rotavirus is cited as a “high-cost intervention” in both South Asia (\$US 500–7000 per DALY averted) and SSA ( \$US 500–1700). There are no data for pneumococcal vaccinations, as far as I can see. However, there are plenty of refs on the web to DALYs and pneumococcal vaccine. The Lancet paper cited by GAVI says \$US 100 per DALY averted. A 2011 paper comparing different models has figures from \$US 767—\$US 4000 (see <http://www.biomedcentral.com/1741-7015/9/53>).

Fourth, micronutrient supplementation is not the only nutrition intervention to score highly in comparative tests of cost-effectiveness. Work for the Copenhagen Consensus shows many nutrition interventions with cost per DALY saved below \$US 20, or in the range \$US 20–100. See <http://thousanddays.org/wp-content/uploads/2011/05/Copenhagen-Consensus-2008-summary.pdf>.

Fifth, there are many other cost-effective investments available to save lives and reduce poverty—including insecticide-impregnated bednets, measures to provide clean water and better sanitation, improved stoves to reduce smoke inhalation, and many others. I brought some lists together when writing in 2008 about the need to move from risk frameworks to opportunities frameworks.

However . . .

Sixth, it is not surprising that new vaccines are more expensive than well-established ones, since R and D costs have to be amortised. Eventually, the cost of new vaccines will come down and be competitive. Owen Barder, for example, has argued that the extra initial price is worth paying to cover the costs of development (and investment in production) for new vaccines, provided that in the long run prices fall down to the social marginal cost. That’s interesting and sounds like a standard cost-benefit problem. We’re comparing two investments, one of which (new vaccines) is expensive now but will be cheaper later, the other of which is relatively cheap now and in the future. Which we choose depends on the relative prices now and later, and on the discount rate. Without carrying out detailed calculations, Figure 1 below illustrates the issue. It shows the actual costs over a 50-year period, with a nutrition intervention constant in price at \$US 20 per DALY, and two options for vaccination, the first at \$US 100, declining by 10% a year, the second with the same initial cost, declining at 5% a year. The vaccinations are eventually cheaper. However, if a discount rate of 10% is applied, the nutrition intervention still comes out top, because the initial cost is so much lower. Remember, these numbers are hypothetical.

Figure 1

What do I conclude from all this? Well, the politicians may think the politics is complicated, but, speaking as an economist, it seems to me that the economics is pretty complicated too. An awful lot depends on which method is used to calculate cost-effectiveness, and on the specific valuations and discount rates applied. There is no excuse, however, for advisers not to carry out the analysis and present ministers with costed options.

What should ministers then do? Logically, they should start at the top and work down. Practically, they will want to think about the politics as well as the economics, and about feasibility and administrative simplicity. Probably they will find good reasons to invest in vaccines, both old and new. They will also find many good reasons to invest in other interventions to save the lives of poor children. Nutrition will be high on the list.

Responses on Mr. Maxwell’s blog as currently online.

# RE: Is vaccination good economics as well as good politics?—Mark Weston 2011–10–18 09:26

Interesting analysis, but there are broader benefits of vaccination than just DALYs saved. Namely, economic benefits in terms of improved performance at school and increased future income of vaccinated children. For a study on these effects, see: [sabin.org/...](http://sabin.org/...)

# Better evidence for better decisions—Orin Levine 2011–10–19 20:09

Simon Maxwell's blog post on vaccine economics and policy makes an important point—that country-level decision-makers need to work through the economics, politics, affordability, equity, sustainability, and programmatic /logistic issues whenever they introduce a new vaccine or intervention.

This point, however, is not news but rather the everyday meat & potatoes of global health.

In fact, a number of key points argue that introducing new vaccines is smarter economics than politics. Let's start with the economics. First, even at the prices that new vaccines are available right now, most studies demonstrate they provide good value for money in terms of their cost-effectiveness. Second, those countries who are eligible for new vaccine support through the GAVI Alliance obtain the vaccines for at least a five year period at steeply discounted prices and with a small co-payment that makes the vaccinations cost-savings in most if not all cases. Indeed, over a 10 year period, when the combined price of the vaccines and the cost of the co-payment are merged, the economics of the program are sound.

Lastly on the economics, Simon Maxwell offers a skewed hypothetical analysis of the costs and benefits in his figure. By discounting the costs of the program but not the benefits, he skews the analysis. A more accurate analysis would discount both the benefits and costs and gives a very different picture of the trade-offs.

Vaccines are not generally good politics, even though we would argue that they should be. Vaccines tend to save the lives of young babies born in rural areas who have little if any voice in the politics of setting national priorities. As countless urban hospital projects with dialysis and cancer treatment centres attest, the politics of health in countries tends to favour treatment of chronic diseases of adults not prevention of deaths in rural babies.

More attention should be paid to the issues of vaccine economics and financing in the years ahead. And as this blog post shows, they should consider all the evidence, not just the ones that fit a stated position, and be based on rigorous evaluations.

-Orin Levine, together with Anushua Sinha,

# RE: Is vaccination good economics as well as good politics?—SM 2011–10–21 06:27

Thanks, Mark, Orin and Anusha, for these helpful contributions. I don't pretend that this is topic I have studied in detail, so am grateful to be pointed at new issues and readings. I'll have a think about discounting!

1 December 2011

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### Further written evidence from DFID

Thank you for your recent email requesting “an overall figure for DFID's funding of private foundations, ie the total sum of its funding arrangements with all foundations (whether US-based like Gates, or smaller foundations based in the UK or elsewhere)”.

We would like to preface our response with the text that we included in our memorandum to the committee regarding the definition of Foundations:

Foundations are normally established as a legal entity, by an individual or a group of individuals, for philanthropic purposes. Foundations are non-governmental, non-profit organisations that possess a principal fund of their own and are self managed by a board of trustees. Unlike charities or even charitable foundations, a private foundation does not generally seek external funding from the public, companies or governments.

On this basis DFID does not normally provide funding directly to Foundations. Funding arrangements are normally on the basis of co-funding programmes with foundations.

DFID currently provides funding of over £2.3 billion, alongside other donors, on programmes with the involvement of, and investment from, private foundations. GAVI is the largest, with £1.5 billion from DFID (2011–2015), £2.3 billion from 19 further sovereign donors and four private contributions (including La Caixa Foundation), and £0.86 billion from Gates. Besides GAVI, DFID has committed over £250 million to programmes in collaboration with other private foundations (including £13.9 million so far agreed for the Girl Hub with NIKE and over £200 million for the Global Partnership for Education, on whose board the Hewlett Foundation sit for example).

These are figures for current commitments and do not include upcoming agreements which are still being developed and have not had funding amounts confirmed yet, or programme payments which have now been fully disbursed.

6 December 2011

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### Further written evidence from the Institute of Development Studies (IDS)<sup>1</sup>

The following represents key messages identified, together with key recommended action points, by IDS from the Bellagio Initiative Summit<sup>2</sup>.

1. “*Wellbeing*” is a more preferable “measure” of development than more common metrics, for example GDP. The concept of wellbeing is broadly understood by people though a variety of other terms may be used, including “social justice”, “voice” and “dignity”.

*Action:* Everyone from the largest development agencies to individual philanthropists needs to build or improve upon shared platforms for collecting, analysing and acting on data, including less tangible and quantitative metrics.

2. The philanthropy sector is often not as risk averse as it is assumed to be given the relative lack of political constraints. The philanthropic sector needs to better balance *risk* with opportunities. It needs to view risk at the strategy, rather than individual project level, and create cultures where failure is accepted and seen as a source of learning.

*Action:* Develop tools for philanthropies to better understand their own risk tolerance and to construct portfolios of grants and projects that reflect a mix of risk rather than those that gravitate toward the lowest level of risk for all projects.

3. Philanthropy needs to be more *people-centred*. Support for the right combination of actors and social forces is critical. Addressing power structures, understanding critical “moments”, and incorporating the roles of youth and women in particular are key.

*Action:* Consider movements, as oppose to individual institutions, as destinations for giving. Shift from projects and programmes to long-term investments in communities.

4. Financial, social and technological *innovations*—particularly at community level—offer a great deal for shared learning and action.

*Action:* Explore ways to more effectively find, support and scale innovations that support human wellbeing, eg community-based methods, prizes and matchmaking methods.

5. Greater *trust* is essential for effective collaboration between the philanthropic and development sectors.

*Action:* Institute better and more reciprocal feedback mechanisms between the two sectors, longer-term and institutional funding, and safe spaces for reviewing performance, admitting failures, and challenging assumptions and stereotypes.

6. Current models for the development and philanthropic sectors are in huge flux, providing great opportunities for innovating based on a new combination of actors and approaches. Whatever these actors and approaches turn out to be, *accountability* and *transparency* considerations are essential when defining the way forward. These were seen as essential for connecting development and philanthropic effort to the people it is intended to benefit.

*Action:* Create a centre of excellence that is a training centre and repository for philanthropic organisations covering topics such as the legal environment, taxation and advocacy governance. Convene working groups for new philanthropists on specific topics, such as sharing due diligence and building partnerships.

7. Philanthropy should not fear a responsible *advocacy* role. This acknowledges the political nature of development, the unintended consequences of giving and the importance of reciprocal relationships between givers and receivers.

*Action:* Research how philanthropic, development and civil society organisations can more effectively use evaluation results in their communications strategies

#### NOTES

1. The Institute of Development Studies (IDS) is a leading global charity for international development research, teaching and communications. At IDS we work to improve people’s lives through cutting edge research, teaching and communication on accelerating global development. We host a number of research programmes that generate new knowledge that aims to be original, relevant and excellent.

2. IDS, together with The Rockefeller Foundation and the Resource Alliance, are leading the Bellagio Initiative on the Future of Philanthropy and Development in the Pursuit of Wellbeing. The Initiative has engaged a diverse international cast of development practitioners, opinion leaders, social entrepreneurs and donors to consider innovative solutions to some of the major challenges affecting poor people today and to contribute to the development of a new framework for philanthropic and international development. The 15-day Bellagio Initiative Summit was held at The Rockefeller Foundation’s Bellagio Center, 8–23 November 2011. It followed and drew upon a series of global consultations and specially commissioned papers, as well as engagement with more than 1,000 individuals across the world through social media.

6 December 2011

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